

# TENNESSEE STUDENT ASSISTANCE CORPORATION

## Board of Directors

September 27, 2017

### MINUTES

The meeting was called to order by Madam Chair Jayme Simmons at 1:00 P.M.

Board members present:

|                |                  |
|----------------|------------------|
| Jayme Simmons  | Gary Adcox       |
| Mike Krause    | Charles Harper   |
| Nancy Dietrich | Tom Hughes       |
| Whitney Goetz  | Sharon Hayes     |
| Josh Testa     | Charles Layne    |
| Greg Turner    | Claude Pressnell |
| Vikki Kirk     | Flora Tydings    |
| Randy Lowry    |                  |

\*President Lowry was not present for Roll call.

Board members absent:

|                |  |
|----------------|--|
| John Smarrelli |  |
| Keri McInnis   |  |
| Julianna Dykes |  |

#### Adoption of Agenda

Madam Chair asked for a motion to adopt the Agenda. Dr. Clause Pressnell made a motion and Sharon Hayes seconded it. A roll call was taken and passed unanimously.

|                       |                    |
|-----------------------|--------------------|
| Jayme Simmons-aye     | Vicki Kirk-aye     |
| Claude Pressnell –aye | Gary Adcox-aye     |
| Flora Tydings-aye     | Charles Harper-aye |
| Nancy Dietrich-aye    | Tom Hughes-aye     |
| Whitney Goetz-aye     | Sharon Hayes-aye   |
| Josh Testa-aye        | Charles Layne-aye  |
| Greg Turner-aye       |                    |

## Approval of Minutes

Madam Chair asked for a motion to approve the May 15, 2017 TSAC board meeting minutes. Sharon Hayes made a motion to approve and Tom Hughes seconded it. A roll call was taken and the motion passed unanimously.

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|-----------------------|--------------------|
| Jayne Simmons -aye    | Vicki Kirk-aye     |
| Claude Pressnell -aye | Gary Adcox-aye     |
| Flora Tydings-aye     | Charles Harper-aye |
| Nancy Dietrich-aye    | Tom Hughes-aye     |
| Whitney Goetz-aye     | Sharon Hayes-aye   |
| Josh Testa-aye        | Charles Layne-aye  |
| Greg Turner-aye       |                    |

## Opening Remarks

Madam Chair thanked the board members for their attendance and discussed the success of the TN Promise. She discussed the efforts that are being made to ensure that our students have the support they might need with challenges they might face. Madam Chair introduced the new TSAC board members Charles Lane, a Trevecca Nazarene University student and Juliana Dykes, a Motlow Community College student. Chairwoman Simmons recognized Charles Harper from Belmont University, who is the new TASFAA President.

## Update on TN Promise

James Snider presented to the board a TN Promise update as applications are being received for cohort four and certifications for cohort three are underway. The 2015-16 cohort enrolled 16,300 eligible students who completed 300,000 community service hours. The enrollments translate into a 24.7% increase at the community colleges and 20% increase at TCATS. The total cost was \$15,221,522.70 with an average award of \$934.35.

In year two, the combined first and second cohorts enrolled 23,760 eligible students who completed 450,000 community service hours. The annual retention from 2015-16 to 2016-17 is 58% at the community colleges and 83% at TCATS. Persistence and graduation rates are pending the completion of the fifth semester. The total cost of year two was \$25,221,893.11 with an average award of \$1,061.48. The cost is less than projected for year two.

In year three, at the start of the fall semester, 37,733 students had completed and submitted community service--this is the pool of potentially eligible students. Of the first cohort, 2,368 remain eligible which will ideally equate to additional completers at the end of the fall term. 9,658 remain eligible in the second cohort. Comparing community service submissions for the third year to the second, 25,707 to 23,000, we are seeing a growth in students submitting, but that does not necessarily mean they will all be eligible by fall enrollment. The estimated total cost for year three is \$32,012,200

with an average award of \$1,092. Cohort three began with a pool of 60,571 Promise applicants and currently 25,707 remain eligible.

Year four is in progress. As of September 25<sup>th</sup>, 30,291 applications have been received, representing a 22% year-over-year growth. "At Risk" counties and high schools, counties with a deficit, have been identified and Outreach is targeting efforts including FAFSA and Promise events. The Promise deadline is November 1 and the call center will be available. Mentor recruitment is underway, especially in counties anticipating growth, with a deadline of December 1.

Mr. Snider shared TN Promise Revenues and Expenditures. Dr. Pressnell asked what comprises the revenue line item. Mr. Krause explained that it is the carry forward from the lottery, "the sweep," along with the interest earned on the special reserve each year. Dr. Pressnell then asked the balance on the special reserve? Mr. Krause stated that it was the balance forward number in addition to the \$361.5M original endowment. Mr. Phelps stated that it is about \$100M. The distinction is important because we cannot touch the \$361.5M as an interest generating principle, in contrast the balance forward could be used to fulfill program obligations. Dr. Pressnell stated that the principle reserve number is not listed and asked what it is producing. Mr. Krause stated that it earned \$18.3M about 5%. He explained the sensitivity around the numbers is that the \$18M does not cover costs at \$32M requiring some portion of the lottery sweep, but hopes that will diminishes over time and the program is more reliant on interest. Dr. Pressnell asked if we could list the principle number moving forward and whether any of the \$173M was put into reserve or used as a cash forward? Mr. Krause stated that Finance and Administration keeps everything in one account. Mr. Abernathy stated that funds are comingled for investment purposes, but the corpus is restricted. Dr. Pressnell asked if there is a target for the special reserve. Mr. Krause said conversations are ongoing with the Treasurer and F&A and personally prefers not relying on lottery funds and would like to develop the endowment to the point the program is self-sufficient.

## **EXECUTIVE DIRECTOR REPORT**

Mike Krause reported the reorganization of THEC/TSAC. He explained that THEC and TSAC are one unified organization meant to bridge barriers to student success including connecting the policy arm of THEC and the financial arm of TSAC. Peter Abernathy now heads the aid and compliance bureau that includes traditional outreach efforts, THEC college access, grants and scholarships, and regulatory work. The reorganization formalizes a seamless interaction between TSAC and THEC.

Mr. Krause explained the continuation of FAFSA completion strategies of the past three years. The approach includes generating weekly reports of every high school completion rate and communicating that with principals. The outreach team works with schools that are not doing well. October 26 is FAFSA Frenzy and THEC/TSAC staff will again go out to high schools to help with FAFSAs.

## **FAFSA FILING REPORT**

Troy Grant provided an update on FAFSA completion strategies. In 2017, Tennessee was number one in FAFSA filing with 73.5% filing. Washington, D.C. was the closest competitor with 64.8%. The changing of the FAFSA timeline prompted the TN Department of Education, THEC/TSAC, and TN Achieves to develop

the FAFSA Frenzy as a unified strategy to take advantage of the increased filing time. They deployed professional development for school counselors by hosting eight trainings across the state for 778 attendees, 320 of whom were high school counselors. The goal is to have a FAFSA expert at every high school.

Jason Seay reported distributing of FAFSA Frenzy Toolkits, hosting webinars for counselors, parents, and students, and making resources available through [www.TNFAFSAFrenzy.gov](http://www.TNFAFSAFrenzy.gov). The TSAC Outreach Team includes eight people with territories across Tennessee will begin workshops to help parents and students. Dr. House and the research team are preparing a heat map of FAFSA completions by county and high school. TSAC sends emails to high schools updating them on their progress and congratulations when goals are attained. Mr. Krause added that the outreach team travels extensively to help students go to college and recognized the call center staff for taking 5,000 calls to help students with financial aid questions last month.

### **TASFAA PRESIDENT REPORT**

Mr. Harper thanked everybody for inviting him. TASFAA entered into their 50<sup>th</sup> year and plans on fulfilling the goals of the organization. He thanked TSAC for participating in their Fall workshop and wants to strengthen the relationship of THEC, TSAC and TASFAA. In the Spring of 2017, they met with legislators to help strengthen their relationship with legislative laws and financial aid. TASFAA is celebrating their 50<sup>th</sup> anniversary with 600 members. The current board is made of 11 elected officials and 15 appointed committee chairs.

### **ADOPTION OF RECONNECT GRANT RULES**

Mr. Phelps presented to the board an overview of the Reconnect Grant rules. The Reconnect Grant program will take the place of the Community College Reconnect Grant on August 1, 2018. He stated that the reconnect grant is last dollar scholarship for adults and independent students, to go to college at an eligible community college or four year institution. Mr. Phelps stated that gift aid will be provided for tuition and mandatory fees and the remaining amount will be paid by the grant. He referred to the TN promise as the template that was used to create the language for the grant. He informed the board that TSAC has worked with THEC, TBR, TICUA, as well as the colleges and universities to make this a collaborated effort in making the rules for this grant. Mr. Phelps then stated a few highpoints of the grant and gave the main rules that allowed you to be eligible for the grant. He stated that the student must not have a bachelor or associate degree, must be classified as an independent student according to FAFSA, must be a Tennessee resident, must file a FAFSA and reconnect application, must be admitted to an institution, must be admitted into a eligible program of study and participate in a college success program. To continue eligibility, a student must maintain a 2.0 GPA or above at the end of each academic year, maintain continuous enrollment in following spring semesters, complete FAFSA, be at least a part time student (take 6hrs), and continue participating in the college success program. A student can receive this award until earning an associate degree or certificate or 5 years have passed since becoming a Reconnect student.

Ms. Hayes asked Mr. Phelps if a student got a certificate from a TCAT, could the student proceed to a community college to earn an associate degree, to which Mr. Phelps answered yes. Mr. Krause added that a student can't receive an associate degree and then go for a certificate. Mr. Pressnell highlighted the success program and mentioned that this is an incredible strategy in Tennessee for the adult students. Mr. Krause commented that THEC/TSAC work closely with TBR. Every community college has a Reconnect "hub" to assure the adult students succeed. Chancellor Tydings added that looking at the logistics of adult students, TBR is realizing that some programs might need to be reconstructed (hours the courses are being taught and the number of courses that the adult student takes). Mr. Krause went through the steps on how the adult student will enroll and at the spring meeting he will give an update on Reconnect.

Madam Chair asked for a motion. Mr. Pressnell made a motion to pass the rules and it was seconded. A roll call vote was taken and passed unanimously.

|                       |                    |
|-----------------------|--------------------|
| Jayme Simmons -aye    | Vicki Kirk-aye     |
| Claude Pressnell -aye | Gary Adcox-aye     |
| Flora Tydings -aye    | Charles Harper-aye |
| Nancy Dietrich -aye   | Tom Hughes-aye     |
| Whitney Goetz -aye    | Sharon Hayes-aye   |
| Josh Testa-aye        | Charles Layne-aye  |
| Greg Turner-aye       | Randy Lowry-aye    |

**ADOPTION OF THE MIDDLE COLLEGE SCHOLARSHIP RULE**

Mr. Phelps presented to the board the proposed rules for the Tennessee Middle College Scholarship which is a new program passed by Tennessee General Assembly during this year's legislative session. The program provides awards to high school juniors and seniors who enroll in an eligible middle college program. As defined in the legislation, this program is operated by a community college in partnership with a LEA that allows high school students in the Fall of their junior year to enroll in the program and earn an associate degree and a high school diploma within two years. The program will begin in the 2018-2019 academic school year. The requirements in order to be eligible for the program: the student must be a Tennessee resident, must have a 3.0 GPA by the end of their sophomore year, admitted to the program, and apply for the award. To continue in the program: students must maintain a minimum cumulative 3.0 GPA at the end of each semester and you must be enrolled full time. Students may receive the award until they earn the associate degree, complete high school, or two years have passed since they enrolled as a middle college student. Mr. Phelps then stated that TSAC worked closely with middle college staff members, TBR and legislative staff including Senator Yager to ensure that things were done as a collaborated group.

Madam Chair asked for a motion to adopt the rule. A motion was made and Ms. Hayes seconded it. A roll call was made and the motion passed unanimously.

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| Jayme Simmons -aye | Vicki Kirk-aye |
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|-----------------------|--------------------|
| Claude Pressnell -aye | Gary Adcox-aye     |
| Flora Tydings -aye    | Charles Harper-aye |
| Nancy Dietrich-aye    | Tom Hughes-aye     |
| Whitney Goetz-aye     | Sharon Hayes-aye   |
| Josh Testa -aye       | Charles Layne-aye  |
| Greg Turner-aye       | Randy Lowry -aye   |

### **TSAA OVER-COMMITMENT RATIO**

Mr. Tim Phelps presented to the board an overview on the TSAA over-commitment ratio for the 2018-2019 year. He stated that they try to spend all of the funding that's available by over committing funds because TSAC understands that every student will not accept the award or they choose to enroll part time and various reasons for that. In the past five years TSAC has used 153% as the over commitment ratio. For the 2016-2017 academic year, \$92 million was spent on the award which reached about 53,500 students which is phenomenal. Looking at past history, this has more than doubled since what they had available to spend, and he has been at TSAC for 11 years. They started at \$42 million and now are at \$92 million. He asked that board adopt the over-commitment ratio of 153% for the 2018-2019 school years.

Ms. Hayes commented how interesting the 153% is spot on. Mr. Krause emphasized that this money goes to the most needy students in our public and private institutions. He thanked the governor and the General Assembly for the growth that this program has had in the past several years.

Madam Chair asked for a motion. Mr. Pressnell made the motion and it was seconded. The motion passed unanimously.

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|-----------------------|--------------------|
| Jayne Simmons –aye    | Vicki Kirk-aye     |
| Claude Pressnell -aye | Gary Adcox-aye     |
| Flora Tydings-aye     | Charles Harper-aye |
| Nancy Dietrich-aye    | Tom Hughes-aye     |
| Whitney Goetz-aye     | Sharon Hayes-aye   |
| Josh Testa-aye        | Charles Layne-aye  |
| Greg Turner-aye       | Randy Lowry-aye    |

### **BUDGET REQUEST**

Peter Abernathy reported on the proposed budget for 2018-19. Finance and Administration has asked each state agency for a reduction plan of 2.5% of the state appropriations which will be drawn from administration. Mr. Abernathy reported that the proposed budget is largely a continuation budget for the 2018-19 year. A notable increase within this proposed budget is \$20.5 million increase to TSAA. This net increase features a reduction of \$6.8 million of TSAA funds that is drawn from Lottery dollars. Mr.

Abernathy explained that leaving this \$6.8 million in the lottery pool creates two opportunities to strengthen Drive to 55 programs: 1) the legislature now has an opportunity to increase lottery program funding for various scholarships, 2) in the event that this money is not used in the lottery pool, all unspent lottery scholarship dollars will be rolled into TN Promise Reserve. In total, Mr. Abernathy's request of \$20.5 million increase will enable TSAA to reach 61,000 students.

Ms. Hayes inquired whether the net increase to TSAA will go into the base fund. Mr. Abernathy confirmed this. Mr. Krause also assured the commission that the \$6.8 million was transferred over from lottery when TSAA was in an exigent status; TSAC would like to keep funding separate as a good accounting practice.

Mr. Hughes inquired on how we are addressing the 46,000 students that are eligible but unfunded due to the limits of the program. Mr. Abernathy noted that the improvements to TSAA over the last few years have been chipping away and improving this deficit. Mr. Abernathy also indicated that there are other financial resources available to students, in particular the Pell Grant, Promise, and Hope.

Dr. Pressnell asked if we are still authorized up to the 2100 EFC? Mr. Phelps responded that we are at the 80-85% mark. Dr. Pressnell voiced his support of the increase, but was concerned about how and when the \$6.8 will be adjusted in the budget if TSAC is not awarded the full \$20.5 million request. Mr. Abernathy responded that it will have to be an issue that is addressed at the time of budgeting approval.

Dr. Pressnell was also pleased to point out that the number of eligible unfunded was previously hovering around the 130,000 mark and that the recent budgetary and policy changes under Governor Haslam's leadership reflect a dramatic decrease in this population (46,000). Mr. Abernathy noted that some of that count was a result in changes to the ways Tennessee was counting students; however the policy changes should still be lauded for their impact.

Dr. Pressnell also noted that an increase in FAFSA completions increases the total number of eligible students, making these improvements all the more impressive. He also asked what funding would be needed to fully fund all eligible unfunded students. Mr. Abernathy confirmed that the state would need an additional \$83 million.

Mr. Krause commended the enviable position Tennessee is in with this budget and associated outcomes.

Madam Chair asked for a motion to approve the proposed budget request. Ms. Hayes made the motion and it was seconded. A roll call was taken and passed with 10 ayes and 4 abstaining.

|                       |                    |
|-----------------------|--------------------|
| Jayme Simmons-Abstain | Vicki Kirk-aye     |
| Claude Pressnell-aye  | Gary Adcox-aye     |
| Flora Tydings -aye    | Charles Harper-aye |
| Nancy Dietrich-aye    | Tom Hughes-aye     |
| Whitney Goetz-Abstain | Sharon Hayes-aye   |
| Josh Testa-Abstain    | Charles Layne-aye  |
| Greg Turner-Abstain   | Randy Lowry-aye    |

## OPERATING FUND

Peter Abernathy presented to the board the preliminary uses of the operating fund. The federal loan program has generated excess funds that can be used by the guarantee agencies. These are monies that were created and earned over a forty year period from the federal loan program that TSAC administered. At one point it was upward of \$80 million. The bulk of those funds have been transferred into the TN Promise Reserve (over \$57 million in total). Tennessee is now down to over \$22 million remaining dollars. Mr. Abernathy noted that this fund is ineligible to take interest and will not earn any more income. Mr. Abernathy and Mr. Krause recommended that these remaining funds be divided into four major areas: \$18 million will be allocated to the TN Promise Reserve. Mr. Krause reminded the board that TN law prohibits the infusion of general funds to support TN Promise and that the only way to infuse funds to Promise is through this type of funding opportunity. Mr. Krause also warned that this may be the last opportunity to infuse these available funds to Promise. Mr. Abernathy continued that an additional \$3 million will be allocated to support the marketing outreach, adult counseling, and data collection and transfer operations under the TN Reconnect program. The remaining portion of funds (\$1 million) will be used to support school services and (\$500,000) ECMC contractors. Mr. Krause elaborated that TSAC lost the support of federal loan default management activities when the Federal Family Education Loan Program went away. Under the guidance of Jane Pennington and TSAC, these funds will provide resources to financial aid offices that were lost with the end of the federal program. Mr. Abernathy noted that TN was required to fulfill contractual obligations to pay ECMC, the contractor that is now administering TN's federal loan default program.

Mr. Krause assured the Commission that all these funds are consummate within the uses of the operating fund, and are all directly connected to the movement of the Drive to 55.

Mr. Hughes asked if the \$1 million would be spent on school services. Mr. Krause confirmed that \$1 million is the number and added that TSAC has always hoped to spend a total of \$2 million to support this initiative. \$1 million has already been spent by the agency to date.

Dr. Pressnell asked how much we need for the ECMC. Mr. Abernathy confirmed that the range was \$500,000. Ms. Hayes asked if this will occur this fiscal year. Mr. Krause confirmed, and noted that TSAC would seek to transfer TN Promise Reserve funds immediately following the approval of the Board.

Dr. Pressnell asked if the \$18 million will go into the \$361 allocated for TN Promise. Mr. Abernathy and Mr. Krause jointly noted that the \$361 is quarantined by law and that the \$18 million will be added to the Promise reserve account. He also asked if TN has an administrative restriction on the \$176 (TN Promise Reserve Funds). Mr. Krause responded that we do not. Our understanding after a few conversations with the Treasury is that any amount above the \$361 million is eligible for program expenditures.

Madam Chair asked for a motion. Mr. Hughes made a motion to approve the operating fund and Ms. Hayes seconded it. The motion passed unanimously.

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| Jayme Simmons –aye | Vicki Kirk-aye |
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|                       |                    |
|-----------------------|--------------------|
| Claude Pressnell –aye | Gary Adcox-aye     |
| Flora Tydings -aye    | Charles Harper-aye |
| Nancy Dietrich-aye    | Tom Hughes-aye     |
| Whitney Goetz-aye     | Sharon Hayes-aye   |
| Josh Testa-aye        | Charles Layne-aye  |
| Greg Turner-aye       | Randy Lowry-aye    |

**STUDENT AND SCHOOL SERVICING UPDATE**

Ms. Pennington presented to the board an update on the student and school services. She discussed the continued growth and development of this TSAC division. This division assists students out of default and back to satisfactory status so they are able to return to school. She stated that they have current contracts with TBR for 13 community colleges and 27 TCAT’s, a continuing contract with one HBCU private college, and a contract with APSU which has not been activated yet but hoping will be shortly. Student servicing division provides schools with temporary staffing, supporting default management, all aspects of awarding financial aid, disbursing funds to students, reconciliation of federal and state funds, monitoring and completing reporting requirements and training. They continue default management, Reconnect projects and license review. She also discussed the scholarships to loans process. Ms. Pennington stated they have ample contracts for now but will market to the private schools shortly.

**GRANT AND SCHOLARSHIP PROGRAMS UPDATE**

Mr. Phelps reported to the board that for the 2016-17 academic year they dispersed about \$339 million to over 127,000 students for the lottery funded programs.

One item of note is the continuation of increased participation in dual enrollment grants. In the first year of dual enrollment grant there were 5,500 students and today there are just over 26,500 students in the program. Madam Chair asked the percentage of total juniors and seniors represented. Mr. Phelps said he would get that information.

The state grants and scholarship programs paid \$93 million in scholarships to 53,500 students. With the TSAA recipients, Dr. Pressnell over shot the zero EFC a little bit, but 73% had a zero EFC and 84% had less than \$35,000 household income. The \$80-83 million is required to fund all the students who did not receive the reward due to funding limitations.

**COMMUNICATION SERVICES**

Jason Seay presented to the board an overview of Outreach and College Success. Jason’s team participates in college fairs, financial aid nights, TN Promise completion workshops and FAFSA completion workshops across the state. The TSAC call center answers questions and emails as well as the live chat. The Outreach team works diligently and reaches about 100,000 Tennesseans each year. He encouraged the board to volunteer at a local school in helping out with FAFSA on Oct 6<sup>th</sup>. He ended with outreach courtesy visits, which is where they deliver publications to private and public local high schools

and colleges in the area. TN promise resource guides are distributed and they partner with the Department of Education to spread awareness to high school students about going to college. The brochure mentions dual enrollment and the TN Reconnect.

## **AUDIT**

Ms. Ann Collet presented to the board the high level audit report update. Currently THEC, TSAC, TBR, and UT are undergoing a sunset audit, a performance audit. The plan is for the auditors to have a report to us in November. Some of the objectives of the audit are as followed: legislative duties, the effects of the Focus act, how student counts are used for funding in Drive to 55, how TSAC uses its data , goals of the drive to 55 and TN Promise, how agencies and schools are working together and moving forward on these programs. The audit will evaluate and provide a status on past, current and future TSAC. The FY 2017 audit will begin in December or January.

A year ago, executive internal auditor legislation went into effect and created within the state an executive internal auditor and Governor Haslam appointed F&A Commissioner Martin. TSAC is participating and getting the internal auditors together to find joint resources, training, standards, audit plans and different programs. Ms. Hayes thanked Ann for the report and Dr. Pressnell for the years he led the audit committee and he thanked her for taking over the roll.

Madam Chair asked all board members and designees to complete the conflict of interest form and return it to the secretary. A motion was made to adjourn the meeting.