

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

July 25, 2018

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on July 25, 2018 at 10:00 am at the HESAA offices in Hamilton.

PRESENT: Board Members Mr. Anthony Falcone; Mr. Stephan Lally; Dr. Jon Larson; Ms. Jean McDonald Rash; Mr. Bader Qarmout (teleconference); Mr. Michael Scardina; Mr. Robert Shaughnessy, Treasurer's Designee; Dr. Zakiya Smith Ellis, Secretary of Higher Education; Mr. David Socolow; Ms. Maria Torres; and Ms. Christy Van Horn.

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:01 am and David Socolow stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Van Horn led those present in the Pledge of Allegiance.

Ms. Van Horn welcomed the Board members and advised that because some members were participating via teleconference, Roseann Sorrentino would conduct a roll call for the resolutions.

Ms. Van Horn welcomed Zakiya Smith Ellis, Secretary of Higher Education; Geoffrey Stark, Esq., Deputy Attorney General from the New Jersey Division of Law; and Brian Wilton, Esq., Senior Counsel from the Governor's Authorities Unit.

Christy Van Horn introduced the new Student Advisory Committee Chair Stephan Lally and Vice Chair Michael Scardina. Stephan Lally has been elected to serve as chair of the 2018-2019 Student Advisory Committee. Stephan is a junior at Ramapo College majoring in Political Science. He is interested in Higher Education Policy and College Affordability. Michael Scardina has been elected to serve as vice-chair of the 2018-2019 Student Advisory Committee. Michael is a junior at Rutgers University where he is majoring in Public Policy. Prior to enrolling at Rutgers he was President of Student Government at Raritan Valley Community College.

Deputy Attorney General Geoffrey Stark administered the Oath of Office to Mr. Lally and Mr. Scardina as new Members of the Authority by virtue of their positions as chair and vice chair of the Student Advisory Committee.

Ms. Van Horn advised that no members of the public registered to speak.

Ms. Van Horn asked Roseann Sorrentino to call the roll.

CONSIDERATION OF THE MINUTES OF THE APRIL 18, 2018 MEETING

A motion to approve the minutes of the April 18, 2018 meeting was made by Ms. Maria Torres and seconded by Mr. Robert Shaughnessy. The minutes were approved unanimously with three abstentions, Zakiya Smith Ellis, Stephan Lally and Michael Scardina, who did not participate in the April 18, 2018 meeting.

RESOLUTION 09:18 ELECTING THE EXECUTIVE COMMITTEE

Jean McDonald Rash made the following presentation to the Board:

In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed Rbrey Singleton, Maria Torres, and me to the Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board.

The bylaws include the State Treasurer or designee and the Executive Director as members of the Executive Committee, with the Executive Director serving as Secretary-Treasurer. Accordingly, Robert Shaughnessy, as Treasurer's Designee, is a member of the Executive Committee, and Executive Director David Socolow will serve as Secretary-Treasurer of the Executive Committee.

HESAA staff reached out to all Board members on April 18, 2018 to advise members to contact HESAA if they were willing and able to serve on the Executive Committee. No public members volunteered to serve as the member of the Executive Committee representing the public members.

The Nominating Committee met on June 5, 2018 and recommends electing the following officers for Fiscal Year 2019: Christy Van Horn as Chairperson, Maria Torres as Vice Chairperson, and Dr. Jon Larson as a member of the Executive Committee representing institutional members.

A motion to approve Resolution 09:18 was made by Mr. Bader Qarmout and seconded by Mr. Anthony Falcone. The motion passed unanimously.

RESOLUTION 10:18 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2018-2019

Kathryn Safran, HESAA's Director of Grants and Scholarships, presented Resolution 10:18 to the Board.

On July 1, 2018 Governor Murphy signed into law the FY 2019 Appropriations Act. The Fiscal Year 2019 Full-Time TAG appropriation of \$432.859 million represents an increase of \$7.0 million over last year's appropriation.

Language in the Fiscal Year 2019 Appropriations Act outlines the following requirements for full-time TAG award levels and program participation:

- Provide TAG awards to all qualified applicants at levels not to exceed 2.0% above those levels provided in Fiscal Year 2018. The 2018-2019 TAG Table that is before you for approval increases awards by approximately 2% above 2017-2018 awards as allowed for in the Appropriations Act.
- Participation in the TAG program is limited to those institutions that previously participated in the program, or had applied in writing to HESAA to participate in the TAG program prior to September 1, 2009 and met all eligibility requirements prior to that date.

As shown in Attachment A, Fiscal Year 2019 approved resources also include a state appropriation for part-time students eligible to receive awards under the Part-Time TAG for EOF program. These resources in total will be sufficient to fund the TAG Table shown in Attachment A.

The Full-Time TAG Award Table was created by:

- Increasing award dollar amounts approximately 2.0% above 2017-2018 award values; and
- Adjusting the Rowan University and Montclair State University columns to realign awards with research university sector award values; and
- Increasing the Income Protection Allowance (IPA) for all independent students, thus allowing independent full-time students to exclude more of their own earnings from HESAA's financial aid eligibility calculations.

Pursuant to the Fiscal Year 2019 budgetary footnote language in the Appropriations Act, unexpended balances re-appropriated to the TAG account from Fiscal Year 2018 shall be available to fund increases in the number of applicants qualifying for TAG, to fund increases in award amounts, and to fund shifts in the distribution of awards that result from an increase in program costs. The budget also includes language appropriating any such additional funds as are required as a result of changes in program participation patterns.

It is recommended that the Board approve Resolution 10:18 adopting Attachment A as the Full-Time Tuition Aid Grant Award Table for academic year 2018-19.

A motion to approve Resolution 10:18 was made by Dr. Jon Larson and seconded by Ms. Jean McDonald Rash. The motion passed unanimously.

RESOLUTION 11:18 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2018-2019

Kathryn Safran presented Resolution 11:18 to the Board.

Resolution 11:18 will establish award values for the Part-Time TAG for County Colleges Program for the 2018-2019 academic year in accordance with the provisions of the Fiscal Year 2019 Appropriations Act.

The Fiscal Year 2019 Part-Time TAG for County Colleges appropriation of \$8.737 million represents level funding. Current projections indicate that these funds will be sufficient to fund awards as shown on Attachment A.

Language in the Fiscal Year 2019 Appropriations Act allows HESAA to retain the unexpended balances from FY 2018 in the Part-Time TAG for County Colleges Program. These funds serve as a contingency for unanticipated increases in the number of applicants qualifying for Part-Time TAG for County Colleges awards, to fund increases in overall average award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs.

The Part-Time TAG Award Table shown in Attachment A follows the same parameters used to construct the 2018-2019 full-time TAG award table. That is, the full-time TAG awards for the County Colleges were increased by approximately 2.0% and then prorated by 50% or 75% to account for anticipated numbers of part-time TAG awards for students enrolled in 6-8 credits (“half-time”) or 9-11 credits (“three-quarter time”) per semester, respectively.

It is recommended that the Board approve Resolution 11:18 Adopting Attachment A as the Part-Time Tuition Aid Grant (TAG) for County Colleges Award Table for Academic Year 2018-2019.

A motion to approve Resolution 11:18 was made by Ms. Maria Torres and seconded by Ms. Jean McDonald Rash.

Maria Torres thanked everyone for their hard work in making sure the students get the help they need.

The motion passed unanimously.

RESOLUTION 12:18 APPROVAL OF HESAA’S FY 2019 ADMINISTRATIVE AND CAPITAL BUDGETS

Dr. Jon Larson presented this item to the Board.

On July 16, 2018 the members of the Board Budget Committee and HESAA staff discussed the proposed Fiscal Year 2019 administrative and capital budgets that are before the Board today. I would like to offer a brief overview of this budget.

- HESAA’s FY 2019 Administrative Budget totals \$32.9 million which represents an increase of \$0.3 million or 0.8% — less than 1% — over the FY 2108 budget.
- This proposed spending plan is supported by revenues of \$33.3 million. This is an increase of \$0.7 million, or 2.0% above FY 2018 revenues.
- Additionally the Authority’s Capital Budget for FY 2019 is \$3.3 million, an increase of \$1.3 million over the FY 2018 capital spending plan.

Looking first at the FY 2019 projected revenues, \$33.3 million will fully provide all of the resources necessary to fund HESAA’s upcoming spending plan. These revenues include:

- \$21.8 million from originations and servicing of NJCLASS loans, an increase of \$5.7 million over FY 18.
- \$6.6 million under HESAA's Guaranty Agency Agreements with the federal government, a decrease of \$5.9 million from FY 2018.
- \$5.8 million from fees and interest earnings related to the NJBEST Program. When factoring in NJBEST scholarship obligations of \$800,000, net revenues increased by \$0.9 million over last year.
- Additionally, HESAA will recognize \$6.7 million in NJCLASS Parity Release funds as well as \$1.2 million in prior indenture Equity Release funds.

Turning to the FY 2019 proposed expenditures of \$32.9 million, this proposal utilizes HESAA resources across all programs with the primary changes year over year being:

- A \$0.5 million increase in salary and benefits over FY 2018 primarily due to an increase in the benefits rate of 4.2%.
- A \$0.6 million increase over last year's annual licensing, maintenance and support services due to State negotiated mainframe, network and server infrastructure fees as well as cybersecurity monitoring services.
- A \$0.4 million reduction in postage costs as we continue to shift to electronic mailings.
- A \$0.3 million decline from FY 2018 realized from lower trustee services and equity contribution.
- A \$0.1 million reduction in overall costs in publishing as HESAA continues to expand its web-based applications.

The FY 2019 Budget will fund 152 positions and non-salary costs related to delivering State and federal student assistance funds and services to nearly 1 million New Jersey residents each year.

In FY 2018, the Authority saw 11 retirements and resignations. With the Governor's Office's approval HESAA has filled 7 positions. During FY 2019 we plan to add an additional 12 positions to fill critical vacancies in information services, loans servicing and collections.

Finally the FY 2019 Capital Budget provides \$3.3 million towards continually enhancing HESAA's technological infrastructure, compliance, and physical improvements. This amount represents \$1.3 million over the FY 2018 capital investment and will include costs associated with:

- Upgrading our virtual desktop environment,
- Upgrading the electronic signature platform,
- Security software compliance,
- Computer room generator,
- NJCLASS loan servicing platform, and
- Increasing data storage capacity.

As just detailed, HESAA anticipates adequate resources to fund its proposed FY 2019 budget. As always the Authority strives to contain costs while making investments to honor our obligations and better serve our constituents.

The Board Budget Committee very proudly recommends that the full Board approve the administrative and capital budgets for FY 2019.

A motion to approve Resolution 12:18 was made by Mr. Anthony Falcone and seconded by Ms. Maria Torres.

The motion passed unanimously.

RESOLUTION 13:18 APPROVING THE EXTENSION OF THE AGREEMENT WITH BLX GROUP AS ARBITRAGE CALCULATION CONSULTANT

Arthur Quaranta, HESAA's Controller, presented Resolution 12:18 to the Board.

Resolution 13:18 recommends the approval of the extension of the agreement with BLX Group as arbitrage calculation consultant.

The federal tax code requires issuers of municipal bonds to perform two types of arbitrage calculations on a periodic basis and remit any liability to the IRS as a result of the calculation. HESAA's student loan revenue bonds are subject to these requirements. Due to the complexity of the federal tax code, the services of a specialist, such as BLX, are required to ensure compliance.

At the July 2014 meeting, the appointment of BLX was approved for an initial term of three years with two optional one-year extensions. To date, BLX has performed its duties well for HESAA.

It is recommended that the Board approve Resolution 13:18 in order to allow HESAA to exercise its second one-year renewal of the contract with BLX.

A motion to approve Resolution 13:18 was made by Mr. Robert Shaughnessy and seconded by Dr. Jon Larson.

Anthony Falcone asked about how BLX bills HESAA. Mr. Quaranta explained that billing is done pursuant to the engagement letter.

The motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Executive Director David Socolow gave the following report:

Since this Board last met, Governor Murphy and the state legislature reached agreement on the Appropriations Act for Fiscal Year 2019. We are grateful to Governor Murphy and to the legislature for providing significant new investments in state-funded financial aid programs.

FY 2019 State Funding for Tuition Aid Grants

As reflected in two Resolutions that HESAA's Board approved today, the final budget agreement funds a \$7 million increase in the appropriation for Tuition Aid Grants (TAG) for full-time students in New Jersey and provides level funding for TAG for part-time county college students and TAG for part-time students participating in Educational Opportunity Fund (EOF) programs. These funding levels fully meet Governor Murphy's request, and are consistent with the recommendations of the HESAA Board.

We are putting this important funding increase to work, as the TAG tables adopted by the Board will improve the State's need-based financial aid grants and help make postsecondary education possible for more than 70,000 New Jersey students next year. Thanks to this Board's action today, in academic year 2018-2019, HESAA will increase TAG award amounts by two (2) percent in all the cells of the TAG table, align the percentage of tuition covered by TAG at all four research universities, and reduce the penalty on lower-income working students and their families by allowing independent students to exclude more of their wages from the state's financial aid eligibility formula. I'd like to briefly highlight the importance of the last initiative I just mentioned: under the prior Income Protection Allowance (IPA) policy, TAG awards were reduced or eliminated for many lower-income students who work while attending college full-time. Increasing the IPA will disregard a greater amount of the wages earned by independent students in New Jersey's calculation of financial need. As a result of this change in the TAG table for the upcoming academic year, large numbers of full-time students will benefit, either by becoming newly eligible for TAG or by receiving a higher TAG award than they would have under the previous formula.

Other Grant, Scholarship, and Loan Redemption Programs

We also received full funding of the Governor's requested appropriations for the New Jersey Student Tuition Assistance Reward Scholarship (NJSTARS and NJSTARS II) programs; the Governor's Urban Scholarship program; the New Jersey World Trade Center Scholarship program; and the Primary Care Practitioner Loan Redemption Program. As in prior years, these other programs will continue to support approximately 3,200 students annually.

New Funding for Governor Murphy's Community College Initiative

I'm also delighted that the Fiscal Year 2019 Appropriations Act provided funding to support the Governor's goal of making tuition-free community college a reality in New Jersey. Community College Opportunity Grants (CCOG) will enable more students to earn postsecondary credentials at county colleges, including adults returning to college for an associate's degree or an industry-recognized certificate, as well as students taking classes for two years at a county college with the goal of transferring to a bachelor's degree program.

In total, the State has appropriated \$25 million for this initiative. Of this amount, \$20 million will enable students with adjusted gross incomes between \$0 and \$45,000 to attend community college tuition- and fee-free, through CCOG awards designed as "last dollar" scholarships that fill any remaining gap after applying any other federal or state grant aid that students receive. In addition, \$5 million will be available to support county colleges directly in their planning,

outreach, and recruitment of eligible students. As we work in partnership with the Office of the Secretary of Higher Education (OSHE) to administer this important new program, we will keep the Board informed on our progress.

Update on FAFSA Completion

As you know, students must fill out the Free Application for Federal Student Aid (FAFSA) to receive all the federal, state, and institutional financial aid for which they may be eligible. A large share of the students who don't fill out the FAFSA are missing out on financial aid resources that could help them pay for postsecondary education – and “students who complete the FAFSA are 72 percent more likely to persist in college than those who do not file,” according to research published in the *Journal of Student Financial Aid*. For this reason, one of HESAA's core missions is to encourage FAFSA completion as a key way to increase awareness of available financial aid. We continually reach out to students and families at hundreds of locations every year in every county of the state, through presentations on financial aid and workshops to assist students and families with FAFSA completion. At last measurement, more than 70,000 of the 105,000 2018 high school graduates in New Jersey completed the FAFSA; at 67.1 percent, this is one of the highest completion percentages our state has achieved at this point in the year. We now rank sixth in the country, with a completion rate well above the national average. Notably, Tennessee is tied for first on this list, with more than 76 percent of high school seniors completing the FAFSA by the same date – which can be attributed in part to Tennessee's nationally-recognized free community college program. By sending the message that college can be free if you fill out the FAFSA, states like Tennessee have driven higher rates of FAFSA completion. We hope to see a similar effect in New Jersey as the CCOG program takes effect.

Supporting New Jersey's Dreamers

On May 9, 2018, Governor Murphy signed Public Law 2018, chapter 12 – and HESAA got right to work in implementing this expansion of state-funded financial aid eligibility for certain students with undocumented immigration status. This program will help students who have attended New Jersey schools, including at least three years of high school in New Jersey, *and* graduated from a New Jersey high school or received a high school equivalency diploma from our state. These students *are* New Jerseyans. State-funded financial aid will not only help these New Jersey Dreamers achieve their dreams, but will also benefit our state's economy in the years ahead as they graduate from college and share their talents across our society. The eligibility criteria mirror those in the 2013 law that qualified undocumented students for in-state tuition at New Jersey's public higher education institutions.

To make state-funded financial aid available for undocumented students attending any eligible public or non-public college or university in New Jersey, HESAA developed the “New Jersey Alternative Financial Aid Application.” This alternative form asks the same questions as the FAFSA, but since many undocumented students cannot file the FAFSA and none of them are eligible for federal financial aid, students submit this form directly to HESAA instead of to the federal government. For students enrolling in the upcoming fall semester, September 15, 2018 is the common deadline for completing either the FAFSA or the New Jersey Alternative Financial Aid Application. After students file their New Jersey Alternative Financial Aid Application, we

will create a record in HESAA's NJFAMS system, enabling the college they're attending to provide them a financial aid package. HESAA will treat applicants under this program the same as all other students, including selecting applications for review and verification.

NJCLASS Bond Rating and Resulting NJCLASS Loan Interest Rates for Academic Year 2018-19

At our last meeting in April, this Board authorized the issuance of Student Loan Bonds. I am happy to report that HESAA's bond sale was a strong success, with more than five times as many orders as we had bonds to offer. This excellent result enables HESAA to continue to offer competitive interest rates on NJCLASS family loans, even at a time when interest rates are generally increasing. The bond deal enables us to now offer NJCLASS loans with interest rates of 4.79% for a 10-year loan; 5.60% for a 15-year loan; and 7.20% for a 20-year loan. These rates are below the 7.60% interest rate of the federal Parent PLUS loans. They're also far lower than many New Jersey families would otherwise pay for supplemental family loans – for instance, the 40 percent of NJCLASS borrowers with incomes between \$40,000 and \$80,000 would typically face interest rates of 9 percent or more for similar loans offered by private lenders. I want to commend the superb work of HESAA's Finance, Loan Originations, Servicing and Collections, and Information Services teams during the intense months and weeks leading up to the bond closing in June – thanks to the steadfast leadership of Jerry Traino and Art Quaranta, alongside a knowledgeable team led by Dave Gillespie and Lorraine Staley, and our outside financial advisors, underwriters, and counsel.

Inaugural Annual Report on the NJCLASS Program

In just one week, our first-ever NJCLASS Loan Program Annual Report is due to be submitted to the Governor and the legislature. This will fulfill the requirement signed into law last July 21, 2017, and I will share the report with the Board when it's submitted on August 1, 2018. The report includes basic information about the NJCLASS program, including detail on the bonds issued to finance NJCLASS loans, the overall number of loans outstanding, the numbers of requests for relief such as deferment, forbearance, or forgiveness due to death or total and permanent disability of the borrower, and information about NJCLASS delinquencies and defaults. We hope that this report will help policymakers put these data in context. The data in the report underscore the importance of the initiatives that this Board has approved to develop new tools to help borrowers avoid defaults through more affordable repayment options. Thanks to the Board's approval of the Repayment Assistance Program (RAP) in 2017 and, at our last meeting, the Household Income Affordable Repayment Plan ("HIARP") for loans originated in the 2018 bond indenture, HESAA can now use RAP and HIARP in tandem to assist NJCLASS borrowers by offering reduced, affordable monthly payments in cases where all the parties to the loan face economic hardships that cause them to struggle to repay their loans.

Thanks to the Board for your continued support of our work here at HESAA.

On behalf of the Community College sector Dr. Larson expressed gratitude to Governor Murphy and Secretary Smith Ellis for the CCOG program which he stated is really a wonderful addition to the programs that HESAA has supported for many years and will help a lot of students go to college.

Mr. Michael Scardina discussed the positive impact that both the new TAG funding formula and CCOG will have on students.

Secretary Smith Ellis thanked Executive Director Socolow, the HESAA Board, and HESAA staff for their support and the collegial way HESAA and the Office of the Secretary of Higher Education have been working together on TAG and EOF issues. Dr. Smith Ellis looks forward to continue working with HESAA in the future.

NEW BUSINESS

Ms. Van Horn introduced the following item of New Business:

In addition to the standing board committees, which are created by resolution of the Board, the Board bylaws also provide for the creation of ad hoc committees, which are appointed by the Board chair.

At this time I would like to appoint an Ad Hoc Committee to review the policies related to the TAG program. The Ad Hoc committee will meet over the summer to discuss the TAG tables for next year's Board Budget Policy and statement. The committee will present recommendations first to the Board budget committee and then to the full Board at its October meeting. The committee will be made up of no more than four Board members and no more than three non-board members. Those Board Members who are interested in serving should please contact Roseann after this meeting. Once I have appointed the members we will send a notice to all HESAA Board members with the member list and we will also announce the membership at the next Board meeting.

David Socolow presented resolutions for the exiting 2017-2018 Student Advisory Committee Chair, Stephanie Berdugo-Hernandez and Vice Chair Rbrey Singleton, thanking them for their service and dedication to the Higher Education Student Assistance Authority Board.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, October 24, 2018 at 10:00 am. She also noted that the Audit Committee would be meeting immediately following today's Board meeting.

A motion to adjourn was made by Ms. Maria Torres and seconded by Mr. Anthony Falcone. The motion passed unanimously.

The meeting adjourned at 10:45 am.

RESOLUTION 09:18

ELECTING THE EXECUTIVE COMMITTEE

Moved by: Mr. Bader Qarmout
Seconded by: Mr. Anthony Falcone

WHEREAS: In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed a Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board; and

WHEREAS: The Bylaws include the State Treasurer or designee and the Executive Director as members of the Executive Committee; and

WHEREAS: The Nominating Committee recommends the election of members, as Chairperson, as Vice Chairperson, as a member of the Executive Committee representing institutional members, and as a member of the Executive Committee representing public members; and

WHEREAS: There are no public members currently able to serve as the member of the Executive Committee representing public members.

NOW THEREFORE, BE IT:

RESOLVED: That the Higher Education Student Assistance Authority Board elects Christy Van Horn as Chairperson, Maria Torres as Vice Chairperson, and Dr. Jon Larson as a member of the Executive committee for terms of one year, and recognizes the State Treasurer's Permanent designee, Robert Shaughnessy, and David J. Socolow, Executive Director, ex-officio as members of the Executive Committee.

July 25, 2018



PHILIP D. MURPHY
Governor


SHEILA Y. OLIVER
Lt. Governor


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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow 
Executive Director

FROM: Kathryn Safran 
Director, Grants and Scholarships

SUBJECT: Resolution 10:18 Adopting a Full-Time Tuition Aid Grant Award Table for Academic Year 2018-2019

DATE: July 25, 2018

Summary

Attached for your review, comment, and approval is Resolution 10:18, Adopting a Full-Time Tuition Aid Grant Award Table for Academic Year (AY) 2018-2019. In accordance with the provisions of the Tuition Aid Grant (TAG) program statute and subject to the limits of the Fiscal Year (FY) 2019 Appropriations Act, this action will establish a table of full-time Tuition Aid Grant award values for the upcoming academic year.

On July 1, 2018, Governor Murphy signed the FY 2019 Appropriations Act, which includes an appropriation of \$432.859 million for the Full-Time TAG Program.

Language in the FY 2019 Appropriations Act outlines the following requirements for full-time TAG award levels and program participation:

- Provide TAG awards to all qualified applicants at levels not to exceed 2.0% of those levels provided by the Higher Education Student Authority (HESAA) in FY 2018.
- Participation in the TAG program is limited to institutions that previously participated in the program, or had applied in writing to HESAA to participate in the TAG program prior to September 1, 2009 and met all eligibility requirements prior to that date.

Background

The TAG Program is New Jersey's premier need-based assistance program for college students. Established by statute in 1978, the program covers a portion of tuition charges each academic year and helps keep higher education accessible and affordable for TAG-eligible, full-time undergraduates who attend public and non-public higher education institutions in New Jersey.

The purpose of the TAG Program is to reduce or eliminate the tuition component of the cost of attending college for students who demonstrate financial need. New Jersey's Governors and Legislators have historically been very supportive in providing funding for TAG with the goal of reaching the maximum award levels authorized in statute, which provide awards of up to 100% of tuition at public institutions, and awards of up to 50% of the average tuition at non-public colleges and universities, to students demonstrating the highest financial need. In addition, partial awards are provided to other needy students to help offset tuition.

Each year in July, prior to the start of the academic year, HESAA establishes a table of TAG award values based on application volume, projected demand, and available funds. The July time frame for adoption of award amounts by the Board is essential to notifying students and institutions of TAG award values prior to payment of fall semester bills.

The structure of the TAG award table is based on a numeric New Jersey Eligibility Index (NJEI) that represents the relative dollar amount the student and family are expected to be able to contribute toward college costs, as determined through a need analysis methodology. The NJEI ranges on the award table are referred to as "cells."

Students demonstrating the highest need are those in the first cell, with an NJEI under 1,500. In 2017-2018, nearly 43% of all TAG recipients were in this cell and therefore were eligible for the maximum TAG award amount. Students with NJEIs in subsequent cells are eligible for proportionately lower awards that decrease as the family's calculated ability to contribute to educational expenses increases.

FY 2019 Available Funds and Projected Award Volume

The FY 2019 TAG appropriation of \$432.859 million is \$7.0 million higher than the original FY 2018 State appropriation, an increase of 1.6%.

Attachment A shows the distribution of the FY 2019 Full-Time TAG appropriation across the TAG award cells. This distribution also includes the State appropriation of \$558,000 for part-time students eligible to receive TAG awards under the EOF Part-Time Program, for a total of \$433.417 million in appropriated funds.

Pursuant to FY 2019 budgetary footnote language, unexpended balances from the FY 2018 TAG account are re-appropriated and available to fund increases in the number of applicants qualifying for TAG, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs. The budget also includes language

appropriating such additional funds as are required as a result of changes in program participation patterns.

The total FY 2019 appropriated resources are \$433.417 million, which are sufficient to fund the Full-Time Tuition Aid Grant Award Table for Academic Year 2018-2019 shown in Attachment A. This table is projected to fund 66,001 full-year equivalent awards, of which approximately 43% are projected to qualify for maximum awards totaling approximately \$226.725 million.

HESAA staff constructed the Full-Time TAG Award Table by:

- Increasing awards approximately 2.0% above 2017-2018 award values; and
- Adjusting the Rowan University and Montclair State University columns to realign awards with research university sector award values; and
- Increasing the Income Protection Allowance (IPA) for all independent students, thus allowing independent full-time students to exclude more of their own earnings from HESAA's financial aid eligibility calculations. This will benefit approximately 2,067 students, by increasing award amounts above what they would have been without this change for an estimated 1,673 students and allowing an estimated additional 394 students to receive TAG who otherwise would not have qualified for an award.

Recommendation

It is recommended that the Board approve Resolution 10:18 Adopting Attachment A as the Full-Time Tuition Aid Grant Award Table for Academic Year 2018-2019.

Attachments

RESOLUTION 10:18

ADOPTING A FULL-TIME TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2018-19

Moved by: Dr. Jon Larson
Seconded by: Ms. Jean McDonald Rash

WHEREAS: N.J.S.A. 18A:71B-21 authorizes the Higher Education Student Assistance Authority (HESAA) to establish a table of full-time award values for Tuition Aid Grants (TAG) based on financial need for the grant, tuition levels, projected number of eligible students, and available funding; and

WHEREAS: The FY 2019 line-item appropriation for full-time TAG of \$432,859,000 and Part-Time TAG for EOF Students of \$558,000 total \$433,417,000 in FY 2019 TAG resources; and

WHEREAS: Language in the Appropriations Act stipulates the following:

- Provide TAG awards to all qualified applicants at levels not to exceed 2% above those levels provided by the Higher Education Student Assistance Authority in FY 2018.
- Participation in the TAG program is limited to institutions that previously participated in the program, or had applied in writing to the Higher Education Student Assistance Authority to participate in the TAG program prior to September 1, 2009 and met all eligibility requirements prior to that date; and

WHEREAS: Budgeted FY 2019 resources also include unexpended balances reappropriated to the TAG account to be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time TAG awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs; and

WHEREAS: The FY 2019 Appropriations Act provides for such sums as are required to cover the costs of increases in the number of applicants qualifying for full-time TAG awards or to fund shifts in the distribution of awards that result in an increase in total program costs, subject to the approval of the Director of the Division of Budget and Accounting.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Full-Time TAG Award Table for AY 2018-2019 (Attachment A); and be it further

RESOLVED: That the attached Full-Time TAG Award Table for AY 2018-2019 pertains to New Jersey institutions that are licensed and were approved for participation in the State grant program as of September 1, 2009; and be it further

RESOLVED: That the Higher Education Student Assistance Authority wishes to thank and commend Governor Murphy and the Legislature for their commitment to higher education access and affordability for all New Jersey students.

July 25, 2018

**STATE OF NEW JERSEY
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
FULL-TIME TUITION AID GRANT (TAG) AWARD TABLE FOR 2018-19¹**

New Jersey Eligibility Index (NJEI)	County Colleges² Award Average	State Colleges² Award Average	Independent Non-Public³ Award Value	Rutgers Award Value	Rowan Award Value	NJIT Award Value	Montclair Award Value
Under 1500	\$2,786	\$7,380	\$12,938	\$9,848	\$8,404	\$11,428	\$7,474
1500-2499	2,424	6,460	10,970	8,734	7,390	9,898	6,440
2500-3499	2,100	5,470	9,648	7,778	6,450	8,814	5,626
3500-4499	1,638	4,530	8,642	6,706	5,562	7,600	4,850
4500-5499	1,220	3,756	7,632	5,848	4,848	6,626	4,228
5500-6499	0	2,930	6,634	4,988	4,136	5,656	3,608
6500-7499		2,132	5,630	4,184	3,470	4,738	3,026
7500-8499		0	4,618	3,314	2,748	3,756	2,398
8500-9499			3,652	2,284	1,894	2,588	1,718
9500-10499			2,074	0	0	0	0
Over 10499			0				

¹ Approximate annual award values at institutions licensed and approved for participation in the TAG Program as of September 1, 2009. In accordance with State law, the value of a student's grant may decrease depending on appropriated funds, actual tuition charges, cost of attendance, estimated family contribution, and other available resources.

² For county and state college sectors, this table displays projected average award values across the respective institutions in the sector. The award values at a given institution may be higher or lower depending on the level of tuition.

³ Proprietary institution awards limited to approved programs of study at Berkeley College, DeVry University, Eastern International College and Eastwick College.



State of New Jersey

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DAVID J. SOCOLOW
Executive Director


PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director 

FROM: Kathryn Safran 
Director, Grants and Scholarships

SUBJECT: Resolution 11:18 Adopting a Part-Time Tuition Aid Grant for County Colleges Award Table for Academic Year 2018-2019

DATE: July 25, 2018

Summary

Attached for your review, comment, and approval is Resolution 11:18, Adopting a Part-Time Tuition Aid Grant for County Colleges Award Table for Academic Year (AY) 2018-2019. In accordance with the provisions of the Fiscal Year (FY) 2019 Appropriations Act, this action will establish a table of part-time Tuition Aid Grant (TAG) award values for the upcoming academic year.

Background

The Part-Time TAG for County Colleges Program was established during the 2003-2004 academic year to provide awards to county college students who demonstrate financial need and enroll for 6-11 credits.

As provided in the FY 2019 Appropriations Act, part-time awards shall be prorated against full-time awards within the limits of available appropriations as follows: eligible students enrolled for 6-8 credits receive 50 percent of the value of a full-time award, while students enrolled for 9-11 credits receive 75 percent of the full-time award value.

The Higher Education Student Assistance Authority (HESAA) establishes a table of part-time TAG award values each year in July based on the available appropriation and the anticipated number of part-time awards.

Available Funds and Projected Award Volume

The FY 2019 Appropriations Act includes funding of \$8.737 million for the Part-Time TAG for County Colleges Program.

Language in the FY 2019 Appropriations Act allows HESAA to retain the unexpended balances from FY 2018 in the Part-Time TAG for County Colleges Program. These funds serve as a contingency for unanticipated increases in the number of applicants qualifying for Part-Time TAG for County Colleges awards, to fund increases in award amounts and to fund shifts in the distribution of awards that result in an increase in program costs.

- The Part-Time TAG Award Table shown in Attachment A follows the same parameters used to construct the 2018-2019 full-time TAG award table. That is, the full-time TAG awards were increased by approximately 2.0% and then prorated by 50% or 75%.

Current projections indicate that the \$8.737 million appropriation will be sufficient to fund the Part-Time TAG Award Table shown in Attachment A.

Recommendation

It is recommended that the Board approve Resolution 11:18 Adopting Attachment A as the Part-Time Tuition Aid Grant (TAG) for County Colleges Award Table for Academic Year 2018-2019. Depending upon the student's NJEI, this table will provide awards ranging from a maximum of \$696 to a minimum of \$305 per semester for eligible students enrolled for 6-8 credits, and a maximum of \$1,044 to a minimum of \$457 for students enrolled for 9-11 credits.

Attachments

RESOLUTION 11:18

ADOPTING A PART-TIME TUITION AID GRANT FOR COUNTY COLLEGES AWARD TABLE FOR ACADEMIC YEAR 2018-19

Moved by: Ms. Maria Torres
Seconded by: Ms. Jean McDonald Rash

WHEREAS: The Part-Time Tuition Aid Grant (TAG) for County Colleges Program was established effective AY 2003-2004 to provide awards to financially needy county college students who enroll for 6-11 credits; and

WHEREAS: Pursuant to the Fiscal Year (FY) 2019 Appropriations Act, part-time awards shall be prorated, within the limits of available appropriations, against full-time awards as follows: eligible students enrolled for 6–8 credits receive 50 percent of the value of a full-time award, and students enrolled for 9–11 credits receive 75 percent of the full-time award; and

WHEREAS: The FY 2019 Appropriation for the Part-Time TAG for County Colleges Program is \$8.737 million; and

WHEREAS: The Part-Time TAG for County Colleges Award Table shown in Attachment A was constructed following the parameters used to develop the 2018-2019 Full-Time TAG Award Table as follows:

- Provide TAG awards to all qualified applicants at levels not to exceed 2% of those levels provided by the Higher Education Student Assistance Authority in FY 2018.

WHEREAS: Language in the Appropriations Act reappropriates unexpended balances in the Part-Time TAG for County Colleges account to serve as a contingency for unanticipated increases in the number of applicants qualifying for Part-Time TAG for County Colleges awards, to fund increases in award amounts and to fund shifts in the distribution of awards that result in an increase in program costs.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Part-Time TAG Award Table for AY 2018-2019 (Attachment A); and be it further

RESOLVED: That the attached Part-Time TAG for County Colleges Award Table for AY 2018-2019 pertains to New Jersey County Colleges established pursuant to N.J.S.A. 18A:64A-1 et. seq. (and their programs of study) that are licensed and approved for participation in the State grant program as of September 1, 2009; and be it further

RESOLVED: That the Higher Education Student Assistance Authority wishes to thank and commend Governor Murphy and the Legislature for their commitment to higher education access and affordability for all New Jersey students.

July 25, 2018

PART-TIME TAG FOR COUNTY COLLEGES PROGRAM
Awards Pro-Rated on Full-Time 2018-19 Award Values

NJCI	Est. # of 1/2 Awards	Semester Value 1/2 Award	Est. Cost of 1/2 Awards	Est. # of 3/4 Awards	Semester Value 3/4 Award	Est. Cost of 3/4 Awards	Est. # of All Awards	Est. Total Cost	Proj. Headcount
	Awards	Value	of 1/2 Awards	Awards	Value	of 3/4 Awards	Awards	Cost	
0-1499	2,594	\$696	\$1,805,424	3,282	\$1,044	\$3,426,408	5,876	\$5,231,832	4,668
1500-2499	925	606	560,550	1,045	909	949,905	1,970	1,510,455	1,572
2500-3499	682	525	358,050	741	787	583,167	1,423	941,217	1,124
3500-4499	595	409	243,355	651	614	399,714	1,246	643,069	998
4500-5499	553	305	168,665	529	457	241,753	1,082	410,418	832
Total	5,349	\$586	\$3,136,044	6,248	\$896	\$5,600,947	11,597	\$8,736,991	9,194

FY2019 APPROPRIATION 8,737,000

FY2019 MODEL COST 8,736,991

PROJECTED UNEXPENDED BALANCE 9

**STATE OF NEW JERSEY
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
PART-TIME TUITION AID GRANT (TAG) FOR COUNTY COLLEGES AWARD TABLE FOR
2018-2019***

NJEI	1/2 Time Semester Award (6-8 credits)	3/4 Time Semester Award (9-11 credits)
0-1499	\$696	\$1,044
1500-2499	606	909
2500-3499	525	787
3500-4499	409	614
4500-5499	305	457

*Awards pro-rated against 2018-19 full-time TAG county college sector awards.

NOTE: If the TAG award reflected above exceeds the student's actual tuition charges, the institution must reduce the TAG award to reflect actual tuition charges.



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Governor

SHEILA Y. OLIVER
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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

FROM: Dr. Jon Larson *JL*
Member, Board Budget Committee

SUBJECT: Resolution 12:18 Approval of HESAA's FY 2019 Administrative and Capital Budgets

DATE: July 25, 2018

As part of HESAA's annual budget process, and to ensure the Board's continued oversight of the programmatic and administrative activities of the Authority, on July 16, 2017 staff presented the Fiscal Year 2019 (FY 19) administrative and capital budgets to the Board Budget Committee for its review and approval. The Budget Committee approved the budgets and is now recommending that the full Board approve these budgets through the attached resolution.

Background

HESAA structures its administrative expenditure and capital budgets in a summary presentation since the majority of HESAA's operations have shared staffing and integrated services to maximize efficiency.

Revenue Budgets

In FY 19 HESAA revenues and appropriated reserves will fully provide the resources required to pay for the expenditure budgets outlined below. These revenues include amounts earned under HESAA Guaranty Agency agreements with the federal government and from the administration of the NJCLASS and NJBEST programs, as well as the use of \$6.7 million in NJCLASS Parity Release funds and \$1.2 million in 2010-1 Equity Release funds.

As the Authority's bond deals are structured, each bond indenture determines a required minimum asset-to-liability ratio. If during the bond year cycle the parity ratio is exceeded and reserve requirements are met, the bond issue allows the excess funds to be released to HESAA. During Fiscal Year 2018 HESAA realized parity release levels within certain indentures.

The equity release is the result of excess funds remaining in the 2010-1 Bond Issue after the required transfers and payments to servicers and bondholders.

HESAA administrative revenues projected for FY 19 total \$33.3 million, an increase of \$0.7 million or 2.0% above FY 2018 budget levels as detailed in attached Schedule I. These revenues are broken down as follows:

Federal Student Loan Program Administration – HESAA is projected to realize \$6.6 million under its Guaranty Agency Agreements with the federal government, a decrease of \$5.9 million from the FY 2018 budget. This includes revenue earned from the collections of defaulted student loans, rehabilitation of previously defaulted loans and maintenance of existing loan guarantees. The decreases in federal revenue are the result of continued amortization of HESAA’s federal student loan guaranty portfolio, decreases in loan defaults, and associated decreases in defaulted loan collections. The use of the Guaranty Agency Operating Fund (GAOF) reserve is not expected in FY 19 budget as NJCLASS Parity Release will provide the income necessary.

NJCLASS Program Administration – HESAA is anticipated to earn \$21.8 million for the origination and servicing of NJCLASS loans, an increase of \$5.7 million from FY 2018 budget. As part of this revenue, HESAA will also be realizing \$1.2 million in equity releases and \$6.7 million in parity releases from prior bond issues. The parity release will be used for administrative, operating, and programmatic expenses as well as to replenish equity contribution reserve funds. HESAA retains 1% of the 3% origination fee charged to borrowers with the other 2% deposited to the Student Loan Fund within the NJCLASS Bond Trust Estates to make additional loans during the origination and recycling period. HESAA earns servicing and administrative fees from the Bond Trust Estate which are paid from the spread between the cost of capital and the loan rate, as required by the rating agencies. HESAA also retains revenue from a portion of the recovery of NJCLASS loans.

NJBEST Administration – NJBEST revenue for FY 2018 is projected to total \$5.8 million from fees and interest earnings related to the NJBEST trust for administration of the program. This amount is reduced by \$0.8 million set aside for NJBEST scholarship obligations resulting in net revenues available for administration of \$5.0 million, an increase of \$0.9 million from FY 2018.

Expenditure and Capital Budgets

Operating Expenditures – HESAA’s administrative expenditure budget for FY 19 totals \$32.9 million, which is an increase of \$0.3 million or 0.8% from the FY 2018 budget as detailed in attached Schedule I. Budget reductions in Other Services will help to offset expected increases in cyber security and licensing & maintenance. The budget funds 152 HESAA positions and all non-salary costs associated with delivering State and Federal student assistance funds and services to nearly 1 million New Jersey residents each year. The Authority had 11 retirements and resignations during FY 2018. There have been 7 positions filled with the approval of the Governor’s office, and HESAA plans to add an additional 12 positions in FY 19 to fill critical vacancies in information services and the loan servicing & collections area. These positions will

strengthen the operations of these offices and help ensure that HESAA maintains high levels of customer service.

The Authority utilizes its resources across all programs to increase efficiency and create flexibility to meet program peak demands. The primary changes to operating expenditures are:

- Salary and Benefits are up \$0.5 million over FY 2018 budget, due to an increase in the benefits rate of 4.2%.
- Web based applications continue to help with reducing overall costs in publishing, as costs are being reduced \$0.1 million over FY 2018 budget.
- A reduction of \$0.4 million is projected in Postage as costs continue to decline due to a shift towards electronic mailings.
- Annual licensing, maintenance and support services are estimated to increase \$0.6 million over last year's budget. This increase reflects an increase to the State negotiated mainframe, network and server infrastructure fees, as well as a Federal Information Security Management Act (FISMA) required cybersecurity monitoring service.
- Other Services are declining \$0.3 million over FY 2018 budget due to lower trustee services and equity contribution.

Capital Budget – The Authority maintains a capital fund that is utilized for investments towards the improvement of HESAA's technological infrastructure, FISMA compliance, and physical improvements. Capital expense has been funded from administrative surpluses realized over the last several years. The major expenditures for FY 19 include costs associated with upgrading our virtual desktop environment, upgrading the electronic signature platform, FISMA security software compliance, computer room generator, HESAA loan servicing platform and increasing data storage capacity. With increasing amounts of data and media being transported over the web, it is critical that HESAA make these investments to continue to adequately serve students, families and institutions and deliver services with a reduced workforce. The expenditure budget for the capital fund is \$3.3 million, an increase of \$1.3 million over the FY 2018 capital budget as detailed in attached Schedule II.

Summary

FY 19 administrative resources of \$33.3 million will fund budgeted expenditures of \$32.9 million. HESAA has continued to contain administrative costs wherever possible while making additional investments in HESAA's infrastructure in support of federal contracts, better service to our constituents, and continued improvements to staff productivity. The FY 19 Administrative and Capital Budgets are recommended for your approval.

The Board Budget Committee recommends that the Board approve Resolution 12:18 approving HESAA's FY 2019 Administrative and Capital budgets.

Attachments

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
Appropriated Administrative Revenues & Expenses FY 2017-2019
(\$000)

	FY 2017 Actual	FY 2018 Budget	FY 2018 Forecast	FY 2019 Budget	Inc/(Dec) FY 2019 Budget vs FY 2018 Budget	
					\$	%
Federal Student Loan Program Administration:						
Net Collections on Defaulted Rehabilitated Loans ⁽¹⁾	\$3,788	\$2,975	\$3,048	\$3,001	\$25	0.9%
Account Maintenance Fee	993	1,050	877	777	(273)	-26.0%
Default Aversion Fee	(133)	(144)	(71)	(75)	69	-47.9%
MOHELA	222	219	202	116	(104)	-47.3%
Interest Earnings	61	60	70	34	(26)	-43.3%
Secondary Market Administrative Fees	130	120	110	93	(27)	-22.5%
Guaranty Agency Operating Trust Fund Release ⁽²⁾	543	5,519	0	0	(5,519)	-100.0%
Total Federal Student Loan Program Administration	\$8,330	\$12,495	\$6,797	\$6,580	(\$5,915)	-47.3%
NJCLASS:						
Application Fees	\$1,929	\$2,000	\$1,815	\$1,646	(\$354)	-17.7%
Servicing Fees	6,145	6,400	5,770	5,411	(989)	-15.4%
Administrative Fees	3,599	3,600	3,773	4,130	530	14.7%
Net Collection Revenue	2,523	2,600	2,564	2,610	10	0.4%
2010-1 Equity Release	1,380	1,400	1,100	1,150	(250)	-17.9%
NJCLASS Parity Release ⁽⁴⁾	0	0	20,000	6,674	6,674	N/M
Interest Earnings	66	70	109	143	73	104.3%
Total NJCLASS Program Administration	\$15,642	\$16,070	\$35,131	\$21,765	\$5,695	35.4%
NJBEST:						
Fee Income From Provider	\$4,367	\$4,778	\$4,835	\$5,309	\$532	11.1%
Interest Earnings	138	130	370	486	356	273.8%
Scholarship Awards	(721)	(800)	(800)	(800)	0	0.0%
Total NJBEST Program Administration	\$3,783	\$4,108	\$4,405	\$4,995	\$888	21.6%
Total All Funds	\$27,755	\$32,672	\$46,333	\$33,340	\$668	2.0%
FY 2018 HESAA Program Administrative Budgets:						
Salary and Wages	9,611	11,177	10,509	11,294	117	1.0%
Employee Benefits	5,047	5,197	5,323	5,572	374	7.2%
Materials/Supplies	215	395	230	334	(61)	-15.4%
Services Other Than Personnel ⁽³⁾	11,834	14,573	12,785	14,432	(141)	-1.0%
Maintenance and Fixed Charges	887	1,140	1,055	1,167	27	2.4%
Special Purpose/Indirect Cost	161	190	176	137	(52)	-27.6%
Total Program Administrative Expenditures	\$27,755	\$32,672	\$30,078	\$32,937	\$265	0.8%
Net Earnings/(Loss) ⁽⁴⁾	(\$0)	(\$0)	\$16,255	\$403	\$403	

(1) Rehabilitated Loans include Interest, Collection Costs and Discount on Sale. Board financials have been restated to exclude Rehabilitated Principal Revenue as it is no longer received. Removed from revenue: FY 2017 \$2,507, FY 2018 Budget \$1,457.

(2) Guarantee Agency Operating Trust Fund Release has been restated to reflect the funding of additional expenses. Added to revenue: FY 2017 \$543, FY 2018 Budget \$4,330.

(3) FY 2017 and FY 2018 Budget have been restated for underwriting fees and equity contribution in Services Other Than Personnel. Expense of \$2,694 in FY 2017 and \$2,873 in FY 2018 Budget have been added for comparative purposes.

(4) Proceeds from NJCLASS Parity Release FY 2018 Forecast will be used for 2018 bond issuance costs (\$2,873), fund administrative and operating expenses (\$872), replenishment of prior year equity contributions (\$11,618) and to create a reserve for anticipated capital projects (\$4,637).

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
CAPITAL FUND
SFY 2018 AND SFY 2019 BUDGETS**

	FY 2018	FY 2019
Capital Budget	2,089,213	3,348,487
Capital Expenditures	(1,199,382)	(3,348,487)
End of Year Underspend/(Overspend)	889,831	-
 <u>Capital Budget Detail</u>		
Telephone Systems	-	10,000
Information Systems Infrastructure Upgrades	443,000	382,000
Desktop Replacement	35,000	330,000
Federal Information Security Management Act	105,794	170,000
Information Systems Equipment Replacement	10,000	150,000
Customer Authentication Control Software	330,000	450,000
Distributed Data Storage and Back-up	275,000	200,000
NJCLASS Software	497,419	-
Grant Software Development	270,000	128,987
E-Mail Platform Replacement	-	144,000
Network Switches and Routers	30,000	30,000
Mainframe Virtual DASD & Tape System	-	75,500
Physical Security	40,000	40,000
Data Center Flooring/Generator	3,000	210,000
Client Services Customer Database Management Tool	-	8,000
Furniture Replacement	50,000	-
Construction	-	20,000
	2,089,213	2,348,487
 HESAA Loan Servicing Platform Replacement Project (Estimated 1st Phase)	 -	 1,000,000
Total Capital Budget	2,089,213	3,348,487

RESOLUTION 12:18

APPROVING HESAA's FY 2019 ADMINISTRATIVE AND CAPITAL BUDGETS

Moved by: Mr. Anthony Falcone
Seconded by: Ms. Maria Torres

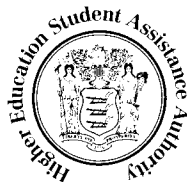
WHEREAS: As part of the Higher Education Student Assistance Authority's (HESAA) annual budget process, to ensure the Board's oversight of the programmatic and administrative activities of the Authority, staff presents the FY 2019 administrative and capital budgets to the Board for its review and approval; and

WHEREAS: On July 16, 2018 the Board's Budget Committee met with staff to review and approve the FY 2019 administrative and capital budgets for consideration by the full Board.

NOW THEREFORE, LET IT BE:

RESOLVED: That the Board hereby approves the FY 2019 administrative and capital budgets as advanced by the Budget Committee and described in the attachment to this resolution.

July 25, 2018



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SHEILA Y. OLIVER
Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow 
Executive Director

FROM: Arthur Quaranta 
Controller

SUBJECT: Resolution 13:18 – Approving the Extension of the Agreement with BLX Group as Arbitrage Calculation Consultant

DATE: July 25, 2018

Background

Under the federal tax code, issuers of municipal bonds are required to produce two types of arbitrage reports on a periodic basis, and remit any liability determined as a result of the calculations to the IRS. The student loan revenue bonds issued by the Higher Education Student Assistance Authority (“HESAA” or the “Authority”) are subject to this requirement. Due to the complexity of the federal tax code as it relates to arbitrage calculations for the structures of HESAA asset-backed bonds, the services of a specialist in this area of accounting are required to ensure compliance.

At its July 2014 meeting the Board approved the appointment of BLX Group as HESAA’s arbitrage calculation consultant, for an initial term of three years with two optional one-year extensions. BLX Group is owned by Orrick Herrington & Sutcliffe, LLP, a leading national law firm with recognized expertise in arbitrage compliance. When needed, the resources of this firm were made available on short notice to respond to IRS requests for audits of two HESAA bond issues. In both cases, this service resulted in a resolution in favor of HESAA with a minimum of interruption to the Authority’s normal business and at a reasonable cost.

At its July 26, 2017 meeting the Board approved the first one-year extension option with BLX. HESAA staff has been satisfied with the services provided by BLX Group and recommends exercising the second one-year extension option.

Recommendation

It is recommended that the Board approve Resolution 13:18 Approving the Extension of the Agreement with BLX Group as Arbitrage Calculation Consultant, permitting HESAA to exercise its second option for a one-year renewal of its contract with BLX Group.

Attachments

RESOLUTION 13:18

APPROVING THE EXTENSION OF THE AGREEMENT WITH BLX GROUP AS ARBITRAGE CALCULATION CONSULTANT

Moved By: Mr. Robert Shaughnessy

Seconded By: Dr. Jon Larson

WHEREAS: Under the federal tax code, issuers of tax-exempt municipal bonds, which include the student loan revenue bonds issued by the Higher Education Student Assistance Authority (“HESAA or the Authority”), are required to produce two types of arbitrage reports on a periodic basis, and remit any liability determined as a result of the calculations to the IRS; and

WHEREAS: Due to the complexity of the code as it relates to arbitrage calculations for asset-backed bonds such as those issued by HESAA, the services of a specialist in this area of tax accounting are required in order to ensure compliance; and

WHEREAS: Pursuant to the responses to a Request for Proposals, at its July 24, 2014 meeting the HESAA Board appointed BLX Group as arbitrage calculation consultant for a term of three years with two possible one-year extensions; and

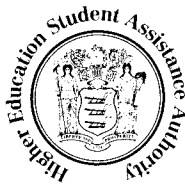
WHEREAS: At its July 26, 2017 meeting the Board approved the first one-year extension option with BLX; and

WHEREAS: HESAA has been satisfied with the service provided by BLX Group.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the second one-year extension of the agreement with BLX Group as its arbitrage calculation consultant.

July 25, 2018



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DAVID J. SOCOLOW
Executive Director

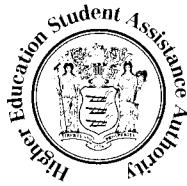
PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

***A Resolution Expressing Appreciation to
Mr. Rbrey Singleton***

- WHEREAS:** Mr. Rbrey Singleton has served with distinction on the Student Advisory Committee (SAC) and was elected vice chairperson for 2017-2018; and
- WHEREAS:** In his role as an officer of the SAC, Mr. Singleton served as a member of the Board of the Higher Education Student Assistance Authority (HESAA), effectively representing New Jersey students; and
- WHEREAS:** Mr. Singleton has proven himself a devoted advocate for students of New Jersey, providing valuable input on policy matters affecting students and their access to education; and
- WHEREAS:** His contributions as a Board member of HESAA have helped advance postsecondary education and enhanced delivery of student aid in New Jersey; and
- WHEREAS:** The members of the Board of the Higher Education Student Assistance Authority wish to acknowledge Mr. Singleton's fine service and contributions in providing an effective program of student financial assistance; now therefore be it
- RESOLVED:** That the Higher Education Student Assistance Authority hereby adopts this resolution as an acknowledgement of Mr. Singleton's service and dedication; and be it further
- RESOLVED:** That the Board of the Higher Education Student Assistance Authority expresses its appreciation to Mr. Singleton for his outstanding leadership and dedication on behalf of New Jersey students; and be it further
- RESOLVED:** That the Board of the Higher Education Student Assistance Authority expresses its best wishes to Mr. Singleton for success in all of his future endeavors; and be it further
- RESOLVED:** That a copy of this resolution be noted in the official records of the Authority and the original be presented to Mr. Singleton.

July 25, 2018



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PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

DAVID J. SOCOLOW
Executive Director

***A Resolution Expressing Appreciation to
Ms. Stephanie Berdugo-Hernandez***

- WHEREAS:** Ms. Stephanie Berdugo-Hernandez has served with distinction on the Student Advisory Committee (SAC) and was elected chairperson for 2017-2018; and
- WHEREAS:** In her role as an officer of the SAC, Ms. Berdugo-Hernandez served as a member of the Board of the Higher Education Student Assistance Authority (HESAA), effectively representing New Jersey students; and
- WHEREAS:** Ms. Berdugo-Hernandez has proven herself a devoted advocate for students of New Jersey, providing valuable input on policy matters affecting students and their access to education; and
- WHEREAS:** Her contributions as a Board member of HESAA have helped advance postsecondary education and enhanced delivery of student aid in New Jersey; and
- WHEREAS:** The members of the Board of the Higher Education Student Assistance Authority wish to acknowledge Ms. Berdugo-Hernandez' fine service and contributions in providing an effective program of student financial assistance; now therefore be it
- RESOLVED:** That the Higher Education Student Assistance Authority hereby adopts this resolution as an acknowledgement of Ms. Berdugo-Hernandez' service and dedication; and be it further
- RESOLVED:** That the Board of the Higher Education Student Assistance Authority expresses its appreciation to Ms. Berdugo-Hernandez' for her outstanding leadership and dedication on behalf of New Jersey students; and be it further
- RESOLVED:** That the Board of the Higher Education Student Assistance Authority expresses its best wishes to Ms. Berdugo-Hernandez' for success in all of her future endeavors; and be it further
- RESOLVED:** That a copy of this resolution be noted in the official records of the Authority and the original be presented to Ms. Berdugo-Hernandez.

July 25, 2018