

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 24, 2018

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on October 24, 2018 at 10:00 am at the HESAA offices in Hamilton.

PRESENT: Board Members Mr. Stephan Lally; Dr. Jon Larson; 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.

ABSENT: Mr. Anthony Falcone and Ms. Jean McDonald Rash.

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:00 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 Geoffrey Stark, Esq., Deputy Attorney General from the New Jersey Division of Law; and Lauren Nathan-LaRusso, Esq., Associate Counsel from the Governor's Authorities Unit.

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 JULY 25, 2018 MEETING

A motion to approve the minutes of the July 25, 2018 meeting was made by Dr. Jon Larson and seconded by Ms. Maria Torres. The minutes were approved unanimously. Mr. Scardina arrived after the minutes were approved.

REPORT OF THE AUDIT COMMITTEE AND RESOLUTION 14:18 ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2018

Maria Torres introduced Andy Lee, Assurance Principal and Nancy Gunza, Engagement Principal, of CliftonLarsonAllen (CLA), HESAA's independent auditors, to present on their report of HESAA's programs for the year ended June 30, 2018.

Mr. Lee discussed the attached presentation which explained the terms of engagement for CLA to audit three different entities of the Authority: the NJCLASS/FFELP Programs; the other HESAA Fiduciary Funds and Programs; and the New Jersey World Trade Center Scholarship Fund. Mr. Lee also discussed the responsibilities of governance, management and the independent auditors. He advised that CLA issued unmodified audit opinions in all three cases, and affirmed that the financial statements were presented fairly in all material respects. Additionally, Mr. Lee reported that there were no material weaknesses or deficiencies in internal controls and no non-compliance with laws and regulations.

Christy Van Horn thanked the Auditors and HESAA staff and management.

A motion to approve Resolution 14:18 was made by Mr. Robert Shaughnessy and seconded by Ms. Maria Torres.

The motion passed unanimously.

REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 15:18 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2020

Dr. Jon Larson made the following presentation to the Board:

At the last Board meeting, Chairwoman Van Horn appointed an Ad Hoc Committee to review HESAA's policies related to the TAG program. The committee was comprised of four members of the HESAA Board: Chairwoman Christy Van Horn; Vice-Chairwoman Maria Torres, Student representative Stephan Lally; and Secretary of Higher Education Dr. Zakiya Smith-Ellis, and three members of the public: David Rousseau, from the Association of Independent Colleges and Universities of New Jersey; Jim Runcie, from The Education Finance Institute; and Sherrell Watson-Hall, Director of Financial Aid at Kean University.

The Ad Hoc Committee met over the summer to discuss the TAG policies and funding models. Their deliberations and recommendations informed the Board Budget Committee as we developed our recommendations for the Board's Budget Policy statement. The budget committee of the HESAA Board met on October 16, 2018 to review several different models of FY 2020 Full-Time Tuition Aid Grant award parameters and funding policies, as well as anticipated funding requirements for all other State-supported programs that are administered by HESAA.

I would like to begin by expressing the Board's gratitude to Governor Murphy and the Legislature for their continued support of New Jersey's state grant and scholarship programs during these very difficult economic times. During the 2018-19 academic year, the State's

financial aid programs will provide more than 83,000 awards to State residents to pursue a postsecondary education, contributing to these students' individual success and strengthening New Jersey's economy and society.

The proposed FY 2020 Board Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability to postsecondary education for New Jersey's residents through need-based student financial aid, merit-based scholarship and loan redemption programs. In developing this budget policy statement, the committee was mindful of the ongoing fiscal challenges facing the State of New Jersey. While the committee affirmed its commitment to advocate on behalf of students to achieve full funding of the full-time TAG Program in future years, its recommended funding levels reflect the State's ongoing fiscal constraints.

The budget committee's recommendations are as follows:

Full-Time TAG Program

When the Board last met in July 2018, we adopted a Full-Time TAG Award Table for the current Academic Year 2018-2019, which used the Fiscal Year 2019 appropriation to enable the following changes:

- The Income Protection Allowance (IPA) for all independent students was increased, thus allowing independent full-time students to exclude more of their own earnings from HESAA's financial aid eligibility calculations.
- All award dollar amounts were increased approximately 2.0% above 2017-2018 award values; and
- Award amounts for students at Rowan University and Montclair State University were realigned to reflect research university sector award values.

At its October 16, 2018 meeting, the budget committee reviewed various FY 2020 Full-Time TAG models to ensure financial aid is properly directed to students consistent with HESAA's mission. The committee also discussed revisions to the baseline projection for the current Fiscal Year 2019, based on enrollment changes, end-of-year awards and expenditures from the prior year, and TAG awards to New Jersey Dreamers who are eligible for State financial aid for the first time this Academic Year.

The committee recommends discontinuing the "base-plus" methodology that HESAA used to modify the TAG program each year since 2012, by applying an across-the-board percentage increase to all award amounts in all cells of the TAG Table. Instead, the committee urges the Board to recommend an alternative option for Fiscal Year 2020, building on the current year's increase of the Income Protection Allowance for all independent students. Improving the IPA would enable more low-income working independent students to qualify for higher TAG award amounts. It would also move the New Jersey income protection allowance for TAG closer to the methodology used to calculate need for federal Pell grants and other federal student aid.

The committee also discussed a multi-year goal of eliminating the State's additional questions that all students are required to answer, in addition to completing the Free Application for

Federal Student Aid, known as the FAFSA. These additional questions reduce the overall cost of the TAG program, by taking into account certain untaxed income received by students and parents. However, the additional questions are burdensome to all applicants and families, and students who do not complete these questions before the deadline can lose out on State grants and scholarships for which they would otherwise be eligible. In the coming years, we urge the State to work toward removing this untaxed income from the TAG eligibility calculations, thus eliminating the need to ask additional questions of every New Jersey applicant for financial aid.

Thus, in recognition of the continuing fiscal challenges facing the State, and consistent with the Authority's mission, the committee recommends that the Board request an increase in the income protection allowance to enable higher TAG award amounts for low-income working independent students, as well as ensuring full TAG funding for New Jersey Dreamers who are eligible for State-funded financial aid. We also recommend that the Board endorse a multi-year plan to work toward removing untaxed income from the TAG eligibility calculations, thus eliminating the additional State questions. Such improvements in the TAG eligibility rules would align with the State's policy goals of re-engaging working adults in postsecondary education and reducing barriers to access for low-income and first-generation students.

Part-Time TAG Program for County College Students

The committee recommends continuing funding for the Part-Time Tuition Aid Grant Program for County College Students. The awards would be set following the same parameters as the Full-Time TAG table.

Community College Opportunity Grant Program

The committee recommends taking the next step toward meeting Governor Murphy's goal of providing tuition-free community college for New Jersey residents, by expanding the Community College Opportunity Grant Program to all 19 community colleges in the fall semester of 2019 and the spring semester of 2020. In the current year 13 of the 19 schools are participating due to the level of funds appropriated by the Legislature.

Governor's Urban Scholarship Program

FY 2020 would be the eighth year of funding this program. The committee recommends continuing funding for all eligible students, including the continuation of the \$500 persistency award for students in their final term.

NJ STARS Program/NJ STARS II Program

The committee recommends continuing funding for the NJ STARS and NJ STARS II Programs to provide awards to all eligible students. The merit-based NJ STARS Program assists students who graduated in the top 15 percent of their high school class covers the cost of tuition at a New Jersey county colleges for up to 18 college-level credits each term, after first applying other State and federal grants and scholarships these students receive. The NJ STARS II Program provides an annual award of \$2,500 toward the cost of attendance at a New Jersey bachelor's degree-granting institution to students who participated in NJ STARS and completed an associate's degree at a county college

Survivor Tuition Benefits Program

To fund anticipated program participants, projected program balances will be sufficient to fund FY 2020 awards.

World Trade Center Scholarship Program

Recognizing that the program is committed to funding the majority of the eligible students through 2024, the committee recommends continuation of level funding to support the World Trade Center Scholarship Program recipients.

Primary Care Practitioner/Nursing Faculty Loan Redemption Program

The committee recommends continued level funding for this program, which supports both redemption of student loans for primary care practitioners in medically underserved areas across the State, as well the Nursing Faculty Loan Redemption Program which is a mechanism for addressing the State's current critical shortage of both nurses and nursing faculty.

All the members on the committee work very hard on this and I thank my colleagues on the budget committee for their dedication to supporting student success, and particularly thank the HESAA staff for providing the helpful information and the data that enabled our discussion of these options and were quite informative. This concludes the report of the budget committee.

A motion to approve Resolution 15:18 was made by Ms. Maria Torres and seconded by Mr. Stephan Lally.

Christy Van Horn commended the Board for their work on this policy statement. She commented on the progress being made and said she sees the programs moving in the right direction to support students whose needs are not being completely met.

The motion passed unanimously.

RESOLUTION 16:18 APPOINTING A FINANCIAL FOR AUTHORITY BOND ISSUES

Jerry Traino presented Resolution 16:18 to the Board.

Good morning and thank you all for your attention to Resolution 16:18 addressing the appointment of a Financial Advisor for the Authority for calendar years 2019 and 2020.

The Financial Advisor, which serves as the Independent Registered Municipal Advisor, represents the Authority's interests in the development of a bond issue. Its services include the review of proposed financing structures and the cash flow analysis. The Financial Advisor and Senior Manager work jointly to answer any issues raised by rating agencies, liquidity providers, bond counsel or the bond trustee.

On August 29, 2018 the Higher Education Student Assistance Authority (HESAA) issued a Request for Proposals (RFP) seeking proposals from firms interested in serving as its Financial Advisor for bonds issued through negotiated sales.

HESAA sent the RFP to 19 financial advisory firms, posted the RFP on HESAA's website and advertised the RFP in the Trenton Times, Star Ledger, Courier News, and Home News.

Three proposals were submitted by: Hilltop Securities, SL Capital Strategies LLC, and a joint proposal from Phoenix Advisors LLC and Callowhill Capital Advisors.

As part of the selection process an evaluation committee made up of HESAA's Chief Financial Officer, Controller and Director of Legal & Governmental Affairs reviewed and scored these three proposals based on the following selection criteria:

1. The experience of the firm in advising on tax-exempt student loan revenue bond offerings;
2. The relevant experience of the staff assigned to the Authority;
3. The quality of the response to the RFP;
4. The ability to meet the needs of the Authority; and
5. The fee proposed.

After a thorough review of the three proposals, the evaluation committee recommends re-appointing HESAA's current financial advisor, Hilltop Securities.

The committee notes that while the joint proposal from Phoenix Advisors LLC and Callowhill Capital Advisors demonstrated general financial advisory experience, the firms had no prior student loan experience. In addition, the fee structure, which included a monthly retainer fee, was higher than the other two proposals.

The committee found that SL Capital Strategies LLC's proposal demonstrated relevant experience with comparable loan programs and strong analytic capabilities. However, they are not also an underwriter and do not provide advice and analytical service to determine the fair values and effectiveness of hedge transactions and compliance with Commodity Futures Trading Commission rules. HESAA would have to hire an additional advisor or several advisors for these services that are required.

It is the committee's finding that with its proposal, Hilltop Securities continues to demonstrate a depth of expertise and relevant experience to meet all of HESAA's needs. They provide all services required by HESAA, including any possible derivative deals. As they are also a registered broker/dealer with the Financial Industry Regulatory Authority, they are subject to additional oversight by bodies such as the Securities Exchange Commission and Municipal Securities Rulemaking Board. In addition, Hilltop Securities proposed the most cost effective fees.

Their maximum proposed fee for financial advisory services is \$125,000 per transaction, plus expenses. In response to requested quotes for related services that were included in the RFP, Hilltop Securities has proposed a fee of \$7,000 per scenario for cash flow modeling; a continuing disclosure fee of \$3,500 per bond issue; and a fee of 2 basis points of the amount invested for guaranteed investment contract bid management services, with a maximum fee of \$34,000. It should be noted that in the current market environment, it is unlikely that a Guaranteed Investment Agreement will be sought as an investment vehicle for new bond proceeds.

It is recommended that the Board approve the attached Resolution 16:18 approving the appointment of Hilltop Securities as the Authority's Financial Advisor for the years 2019 and 2020.

A motion to approve Resolution 16:18 was made by Mr. Robert Shaughnessy and seconded by Mr. Bader Qarmout.

The motion passed unanimously.

RESOLUTION 17:18 APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN EDUCATIONAL RECEIVABLE FILES

Russell Archer presented Resolution 17:18 to the Board.

On September 6, 2018 the Higher Education Student Assistance Authority (HESAA) issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of outside counsel to which HESAA can assign defaulted student loans and other educational receivable for collection. In addition, the firms on the list will represent HESAA in contesting the dischargeability of a debtor from bankruptcy, Administrative Wage Garnishment (AWG) hearings, and other collection-related appellate work. The RFQ covers a two year period.

HESAA received proposals from five law firms, all of which currently represent HESAA.

An evaluation committee made up of HESAA's Compliance Officer, Controller, Assistant Director of Servicing and Collections, and Servicing and Collections Program Officer reviewed and scored all of the proposals.

The committee determined that a firm must achieve a minimum score of 2,500, meaning that it was deemed overall to be "good," to be recommended for placement on the list. Pursuant to the RFQ the list was limited to five firms.

Based on the reviews, all of the firms met the minimum threshold for appointment. While Russell Goldman, PC and Solomon & Solomon have had some reporting issues, their services have met HESAA's standards and they are currently working to improve the issues. As such the committee recommends that Fein, Such, Kahn & Shephard, P.C., The Grogan Law Group, Schachter Portnoy LLC, Russell Goldman PC, and Solomon & Solomon all be placed on the list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection. In addition, the committee recommends that new placement of files to Russell Goldman PC, and Solomon & Solomon be contingent on providing proof satisfactory to HESAA that all reporting issues have been resolved.

A motion to approve Resolution 17:18 was made by Dr. Jon Larson and seconded by Mr. Michael Scardina.

Dr. Zakiya Smith Ellis asked what criteria HESAA is requiring from the two firms that need to resolve reporting issues. Russ Archer responded that their monthly reports would provide the proof.

The motion passed unanimously.

RESOLUTION 18:18 APPROVING THE SECOND EXTENSION OF THE AGREEMENT WITH OBERMAYER REBMANN MAXWELL & HIPPEL LLP, SPECIAL COUNSEL TO ASSIST IN THE REVIEW OF MATERIALS RELATED TO 529 PLANS AND PROVIDING GENERAL TAX ADVICE

Marnie Grodman, Esq., presented Resolution 18:18 to the Board.

At its October 22, 2015 meeting, as a result of a Request for Qualifications, the Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans, as well as to provide general tax advice as questions arise. The appointment was for a term of two years with three optional one-year extensions. At last year's meeting on October 25, 2017, the Board approved the first one-year extension.

In addition to providing opinions and advice to HESAA on all documents prepared by HESAA's investment manager, Franklin Templeton, related to the 529 Plans Obermayer also advises HESAA regarding federal tax laws.

The firm has provided prompt and professional advice in response to all requests for opinions and charges a very reasonable rate of \$325 per hour for attorneys and \$100 per hour for paralegals. As such, staff recommends exercising the second one-year option to extend the contract.

A motion to approve Resolution 18:18 was made by Ms. Maria Torres and seconded by Christy Van Horn.

The motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Executive Director David Socolow gave the following report:

Thank you Chairwoman Van Horn, members of the Board, and guests. I appreciate this opportunity to provide updates on HESAA's activities since the Board last met in July.

Grants and Scholarships

For the current academic year, 2018/2019, HESAA has successfully launched several key projects to improve the financial aid we offer to help students pay for postsecondary education. First, thanks to the Board's approval of a change in the Tuition Aid Grant program's need calculations, we have increased the Income Protection Allowance for independent students, who are now attending every institution of higher education here in New Jersey. Due to this reform, more than 1,000 working adults have already received TAG awards this year that are \$935 greater, on average, than what these students would have received under the need calculation formula from prior years.

Also, last May, as soon as Governor Murphy signed Public Law 2018, chapter 12, HESAA began accepting applications from New Jersey Dreamers who qualify for state-funded financial

aid starting this fall. These students attended a New Jersey high school for at least three years, graduated from a New Jersey high school or received a state high school equivalency diploma, and met all other eligibility requirements. New Jersey Dreamers submitted 1,331 financial aid applications to HESAA before the September 15 deadline for the current fall semester. Almost 650 of these have a potential TAG award that is pending certification by the New Jersey institution at which the students enrolled. Another 320 were found ineligible, and almost 360 more have incomplete files for which additional information is needed.

Another exciting moment came last month, when Governor Murphy announced the pilot of the Community College Opportunity Grant (CCOG) program. For the spring semester trial run that starts in January, any student with an adjusted gross income between \$0 and \$45,000 who attends one of 13 county colleges at least half time will qualify for a CCOG award that pays the balance of their tuition and approved educational fees, after first applying all other grants and scholarships the student receives. We project that about 13,000 students in this group will have some tuition and/or fees that are not covered by other financial aid; CCOG will fill that remaining gap so they can attend county college tuition- and fee-free.

In coordination with the Office of the Secretary of Higher Education, HESAA is working with all 19 county colleges in New Jersey to ensure that the CCOG pilot is an effective initial test of this college affordability initiative. We have established a web landing page with CCOG policies and procedures and answers to frequently asked questions; we have convened the colleges in-person and by webinar; and we are providing technical assistance on recruitment, student supports, and how to use the new functionality that we are building into HESAA's NJFAMS system. County college financial aid administrators will be able to use the CCOG module in NJFAMS starting next week. We look forward to learning valuable lessons from this pilot phase that will support continued progress toward statewide tuition-free community college.

Because financial aid is constantly working on two years at the same time, HESAA has already begun our busy season for the following academic year. The 2019/2020 Free Application for Federal Student Aid (FAFSA) became available on October 1, enabling students to apply right now for financial aid for the next academic year – which more than 35,000 students have already done in the first three weeks since the opening of the 2019/2020 FAFSA. Additionally, as of 2019/2020, the FAFSA is mobile-device friendly. Since we know many New Jersey students primarily use mobile phones to connect to the internet, HESAA invested in our NJFAMS software to ensure that our grants and scholarships system is also mobile friendly.

HESAA's outreach team is now working with colleges and universities across the state to coordinate and produce materials for "FAFSA Days." These events raise awareness and encourage students to complete their aid application forms to get the financial information and resources they need to pursue their postsecondary education goals. To date, there are 20 FAFSA Days events confirmed, with more being scheduled each week. We are also spreading awareness of financial aid to students all over New Jersey by offering detailed, up-to-date training for high school counselors. HESAA's financial aid workshops this year will be attended by more than 850 school counselors at 10 sites across the state over the course of October and November.

I'm also pleased to note that HESAA's new Alternative Application for Financial Aid went live on our website on October 1 – the same day as the FAFSA. As a result, New Jersey Dreamers who are not eligible to complete a FAFSA can start their 2019/2020 applications for state-funded

aid on the same schedule as all other students. Many thanks are due to the dedicated team at HESAA who successfully met an aggressive timeline to design, test, and implement the systems and procedures needed to get this program up and running.

NJCLASS Loans

We have found that more than 72 percent of NJCLASS loans are typically originated between July and September, when families know the net cost of attendance for students' upcoming school year and look for supplemental resources to pay fall term bills. We are on track this year for a similar result: as of September 30, we have issued 6,181 NJCLASS loans with a balance of \$119 million. These loans to date have committed 78 percent of the proceeds from the 2018 Bond Series, as well as carry-over funds remaining from 2017. As noted in the Annual Report on NJCLASS family loans that we published in August, this program is particularly valuable for working-class families financing a New Jersey student's college education, as nearly 40 percent of the borrowers of NJCLASS loans each year have incomes between \$40,000 and \$80,000. Through the NJCLASS family loan program, HESAA is able to offer competitive interest rates to families in this income range, who would typically have to pay much higher rates for private supplemental student loans.

We are also making strong progress on HESAA's reform agenda for the NJCLASS loan program. Our recent bond issues to fund NJCLASS loans included HESAA's new default aversion programs that will assist NJCLASS borrowers and their families in cases of economic hardship: the Repayment Assistance Program (RAP), which is available for NJCLASS loans originated after June 2017, and the Household Income Affordable Repayment Plan (HIARP), which began in June 2018. These two programs work in tandem by helping those who qualify for up to two years in RAP, followed by possible future assistance through HIARP. Recently, Assemblyman Gary Schaer, Assemblywoman Mila Jasey, and Senator Sandra Cunningham introduced A4475/S3125. This legislation would codify HESAA's existing RAP and HIARP programs for every bond indenture going forward, subject to available funds. Last week I was honored to testify before the Assembly Higher Education committee as they advanced this bill.

In addition, we have realized positive results from our pilot program to help borrowers whose NJCLASS loans are in default. Since June 1, 2018, we have worked with borrowers and HESAA's collections counsel to make balanced settlement agreements that achieve a win-win result: offering more affordable installment plans for borrowers and co-signers who wish to repay defaulted loans while ensuring that NJCLASS loans are repaid. Just a few minutes ago, the Board approved Resolution 17:18, which will offer two-year retainer agreements to HESAA's collections counsel, and we will work with these law firms to reach more borrowers by building on the initial successes of this effort. To further encourage our new approach to working with defaulted borrowers, Senator Sandra Cunningham and Assemblyman Ralph Caputo have introduced A4623/S3149, legislation that codifies HESAA's settlement process and establishes parameters for repairing the credit ratings of borrowers who comply with these payment plans. We greatly appreciate the support of these legislators for HESAA's practical reforms to assist borrowers and strengthen the NJCLASS family loan program.

Thank you.

Secretary Smith Ellis congratulated Executive Director Socolow and the entire HESAA staff for moving forward so quickly on pressing issues to improve financial aid for needy students and reform the NJCLASS program.

Michael Scardina added that he believes it is a social justice issue for anybody who cannot go to college for economic reasons and other issues. He stated that the federal government is not treating students well, especially Dreamers, and thanked the state and his fellow Board members for taking up these initiatives.

Christy Van Horn thanked the HESAA staff for their invaluable support with the Board's work through the Ad Hoc committee, the budget committee's development of the policy statement and the options for TAG policy changes.

NEW BUSINESS

Christy Van Horn reminded Board members that ethics training is required to be completed by November 29, 2018 and that it can be found at nj.gov/ethics/training and Board members should select the Special State Officer Training Module.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, January 23, 2019 at 10:00 am.

A motion to adjourn was made by Ms. Christy Van Horn and seconded by Dr. Zakiya Smith Ellis. The motion passed unanimously.

The meeting adjourned at 10:50 am.



State of New Jersey

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PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: HESAA Board Audit Committee

SUBJECT: Report of the Audit Committee and Resolution 14:18 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2018

DATE: October 24, 2018

Summary

Attached for review, comment and approval is Resolution 14:18 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2018.

Background

The Higher Education Student Assistance Authority (HESAA) Audit Committee is comprised of Christy Van Horn, Chair; Maria Torres, Vice-Chair; and Treasurer's Designee, Robert Shaughnessy as the member of the Board having accounting or related financial experience.

The Committee met with representatives of CliftonLarsonAllen on October 18, 2018 to review and discuss the 2018 Financial Statements and CliftonLarsonAllen's unmodified reports.

Recommendations

The Audit Committee recommends that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2018.

Attachment

RESOLUTION 14:18

**ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2018**

Moved by: Mr. Robert Shaughnessy

Seconded by: Ms. Maria Torres

WHEREAS: The Higher Education Student Assistance Authority (HESAA) prepared three separate financial statements for Fiscal Year 2018 ("2018 Financial Statements") which were audited by the independent auditor CliftonLarsonAllen LLP; and

WHEREAS: The members of the Board Audit Committee met with CliftonLarsonAllen LLP on July 25, 2018, prior to the commencement of the audit; and

WHEREAS: The members of the Board Audit Committee have received and reviewed the Financial Statements and the unmodified reports of CliftonLarsonAllen LLP dated for the year ending June 30, 2017; and

WHEREAS: The members of the Board Audit Committee met with representatives of CliftonLarsonAllen LLP on October 18, 2018 to discuss the 2018 Financial Statements and CliftonLarsonAllen's unmodified reports; and

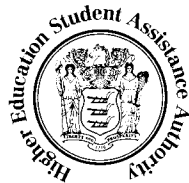
WHEREAS: The members of the Board Audit Committee recommend that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2018.

NOW THEREFORE, BE IT:

RESOLVED: That the HESAA Board accepts and adopts the Fiscal Year 2018 Financial Statements and Independent Auditor's Reports as attached hereto; and be it further

RESOLVED: That the attached Fiscal Year 2018 Financial Statements and Independent Auditor's Reports shall be posted on HESAA's website at www.HESAA.org, and submitted to the State Treasurer and the Governor's Authorities Unit.

October 24, 2018



State of New Jersey

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PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: David J. Socolow *DJS*
Executive Director

SUBJECT: Report of the Budget Committee and Resolution 15:18 Adopting a Board Budget Policy Statement for Fiscal Year 2020

DATE: October 24, 2018

Summary

Attached for review, comment and approval is Resolution 15:18 Adopting a Board Budget Policy Statement for Fiscal Year 2020. Dr. Jon Larson will report the results of the Budget Committee's meeting.

Background

The members of the Budget Committee of the Authority are Christy Van Horn, Maria Torres, Jon Larson and David Socolow.

The Committee met on October 16, 2018 with HESAA staff to develop the attached Board Budget Policy Statement for Fiscal Year 2020.

Recommendations

The Budget Committee recommends adoption of Resolution 15:18 and the attached Budget Policy Statement.

Attachments

RESOLUTION 15:18
ADOPTING A BOARD BUDGET POLICY STATEMENT FOR
STATE FISCAL YEAR 2020

Moved by: Ms. Maria Torres
Seconded by: Mr. Stephan Lally

WHEREAS: The Higher Education Student Assistance Authority (HESAA) Board is responsible for recommending budget policies in support of New Jersey's student financial aid programs; and

WHEREAS: On October 16, 2018 the Board's Budget Committee met with staff to review background information and to draft a FY 2020 budget policy statement for consideration by the full Board.

NOW THEREFORE, LET IT BE:

RESOLVED: That the HESAA Board strongly affirms the importance of preserving education access and affordability for all residents of the State of New Jersey and recognizing academic achievement; and be it further

RESOLVED: That the Board hereby adopts the budget policy statement for FY 2020 as advanced by the budget committee and described in the attachment to this resolution; and be it further

RESOLVED: That HESAA shall endeavor to maximize FY 2020 resources available for State-funded student assistance programs in keeping with the attached budget policy statement, subject to refinement of underlying projections.

October 24, 2018

FY 2020 BUDGET POLICY STATEMENT FOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY BOARD

Pursuant to N.J.S.A. 18A:71A-9f., the Higher Education Student Assistance Authority (HESAA) is the lead State agency in determining policy on student assistance issues. Consequently, the HESAA Board is charged with developing budget recommendations for all postsecondary financial aid programs administered by the Authority. These recommendations are submitted to the Executive Director for review and submission to the Division of Budget and Accounting.

The Board, on behalf of the students and families served, would like to thank Governor Murphy and the Legislature for their sustained support of New Jersey's State grant and scholarship programs during these challenging fiscal times. During the 2018-2019 academic year, the State's financial aid programs will provide more than 83,000 awards to State residents to pursue a postsecondary education, contributing to these students' individual success and strengthening New Jersey's economy and society.

The Fiscal Year 2020 Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability to postsecondary education for New Jersey residents through need-based student financial aid and merit-based scholarship programs. In formulating this budget policy recommendation, the Board remained mindful of its role as student advocate to achieve full funding of the full-time Tuition Aid Grant (TAG) Program, while recognizing the fiscal challenges facing the State of New Jersey.

In developing these recommendations, the Board considered input from an ad hoc committee that was charged last July with informing the deliberations of the Board's Budget Committee. After considering several options for funding and policy changes for the TAG program, the Board agrees that the funding recommendations outlined below are the most reasonable in light of the State's fiscal challenges and the needs of New Jersey students and families.

However, the Board continues to reaffirm its long-standing commitment to achieving full funding of the full-time TAG Program and thus to promote affordability, access, and choice for all students. The full-time TAG Program is one of the most important sources of aid available to low- and middle-income New Jersey students, who face growing challenges in paying for the ever-increasing expenses of postsecondary education. Fully funding the TAG Program would help these students meet expenses and achieve their educational goals, ultimately benefitting New Jersey's economy.

The Board also supports a multi-year goal of eliminating the burdensome requirement for New Jersey aid applicants to answer state-specific questions after completing the Free Application for Federal Student Aid (FAFSA). To this end, the Board supports new TAG funding over the next several years to enable New Jersey to stop counting Earned Income Tax Credits as income in the calculation of need, which would align the TAG eligibility rules with the methodology for calculating need for federal aid (e.g., Pell grants).

Over the course of the budget process and subject to available funding, the Board urges HESAA's staff to advance the Board's funding recommendations and priorities expressed in this policy statement.

General Policy Recommendations

- The role of the HESAA Board in the budget process is to advocate policies that advance higher education access, choice, affordability, and academic achievement for New Jersey residents.
- The Board supports, as its funding priority, ensuring protection of the State's historic commitment to all eligible full-time students under the need-based TAG Program.

- The Board applauds Governor Murphy and the Legislature for the enactment earlier this year of P.L. 2018 c. 12, which enables New Jersey Dreamers to apply for state-funded financial assistance to attend college here in their home state, where they attended and graduated from high school and continue to make important contributions to our state and local communities.
- The Board looks forward optimistically to the implementation of the pilot phase of the Community College Opportunity Grant (CCOG) Program starting in January 2019, and supports the statewide expansion of the CCOG program in FY 2020.
- The Board supports continued funding of the Part-Time TAG Program for County College Students.
- Future award values, funding and expenditures for the Part-Time TAG Program for County College Students, from year to year or within a year, must always be considered separately from award values, funding, and expenditures for the full-time TAG Program, because TAG and Part-Time TAG are separate line items in the State budget.
- FY 2020 will be the eighth year of the Governor's Urban Scholarship providing \$1,000 renewable scholarship awards to certain students who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need. Students must reside in, but not necessarily attend high school in, one of 14 high-need communities identified by the New Jersey Department of Education (DOE) and the New Jersey Department of Community Affairs (DCA). The Board recommends consulting with DOE and DCA to discuss the revision and potential expansion of the list of municipalities where residents may be eligible for the Governor's Urban Scholarship Program.

Key to maintaining higher education access and affordability for New Jersey families is the ability of State grant programs to provide predictability and stability to financially needy students and their families. With this goal in mind, we present the following specific funding recommendations:

FY2020 Funding Policy Recommendations

Tuition Aid Grants for Full-Time Students

The HESAA Board recommends the following funding policies for the full-time TAG program:

- Awards to all eligible students who apply by the application deadlines.
- Any additional funding that is available for TAG in FY20 should be dedicated to improving eligibility rules so as to align with the State's policy goals of re-engaging working adults in postsecondary education and reducing barriers to access for low-income and first-generation students. In particular, the Board supports increasing the income protection allowance to enable higher TAG award amounts for low-income working independent students.
- Fully fund financial aid to all NJ Dreamers with verified eligibility according to P.L. 2018, c. 12.
- Provide for a contingency mechanism that ensures sufficient reserves to cover increases in program costs not anticipated in the budget.

Community College Opportunity Grant Program

The Board recommends taking the next step toward tuition-free community college by providing funding to expand the Community College Opportunity Grant Program to all 19 community colleges in the Fall semester of 2019 and the Spring semester of 2020.

Part-Time Tuition Aid Grants for EOF Students

The Board recommends funding for the Part-Time TAG for EOF Students Program at a level sufficient to maintain the current program.

Part-Time Tuition Aid Grant Program for County College Students

In accordance with the Board's long-standing tenets for this program, the Board recommends continuing to provide awards to all eligible students who apply by the application deadlines at one-half or three-quarters of the dollar value of full-time awards, within available funding levels.

NJ Student Tuition Assistance Reward Scholarship/NJ Student Tuition Assistance Reward Scholarship II Programs

The Board recommends continued funding to support all students who meet the eligibility requirements of the NJ STARS and NJ STARS II Programs.

Governor's Urban Scholarship Program

The Governor's Urban Scholarship Program, created in 2012, provides aid to New Jersey high school students who reside in 14 high-need. For FY 2020, the Board recommends providing funding for the eighth class of \$1,000 renewable scholarship awards to be made available to New Jersey high school graduates who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need, no matter whether they attend a public or non-public high school. In addition, a persistency award of \$500 should continue to be provided to students in their final term of the scholarship upon completion of their associate or baccalaureate degree. In addition to continued funding to support the Governor's Urban Scholarship recipients, the Board recommends that HESAA's staff consult with DOE and DCA to review the original 14 communities identified for this program and consider changes or expansion of the program to students residing in other high-need municipalities.

Survivor Tuition Benefits Program

To fund anticipated program participants, projected program balances will be sufficient to fund FY 2020 awards.

World Trade Center Scholarship Program

Recognizing that the program is committed to funding the majority of the students through 2024, the Board recommends continuation of level funding to support the World Trade Center Scholarship Program recipients. The Board also notes the existence of other revenue sources for the WTC Program, including public and private donations.

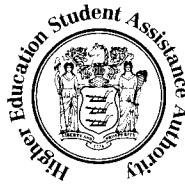
Primary Care Practitioner/Nursing Faculty Loan Redemption Program

The Board recommends continued level funding for this program, which supports both redemption of student loans for primary care practitioners in medically underserved areas across the State, as well as the Nursing Faculty Loan Redemption Program which is one mechanism for addressing the State's current critical shortage of both nurses and nursing faculty.

HESAA Revenue and Fee-Supported Programs

The Board notes that the following services and activities are not funded through the State's general appropriation process but remain key elements of HESAA's mission:

- Law Enforcement Officers Memorial Scholarship Program
- New Jersey Governor's Industry Vocations Scholarship for Women and Minorities (NJ GIVS)
- NJBEST Scholarships
- New Jersey Better Education Savings Trust (NJBEST) College Savings Program
- New Jersey College Loans to Assist State Students (NJCLASS)
- Federal Family Education Loan Program (FFELP)



State of New Jersey

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PHILIP D. MURPHY
Governor


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: Jerry Traino
Chief Financial Officer 

SUBJECT: Resolution 16:18 Appointing a Financial Advisor for Authority Bond Issues

DATE: October 24, 2018

Background

On August 29, 2018 the Higher Education Student Assistance Authority (HESAA) issued a Request for Proposals (RFP) seeking proposals from firms interested to serve as Financial Advisor to HESAA for bonds issued through negotiated sale. The Financial Advisor, which serves as the Independent Registered Municipal Advisor, represents the Authority's interests in the development of a bond issue. Its services include the review of proposed financing structures and the cash flow analysis. The Financial Advisor and Senior Manager work jointly to answer any issues raised by rating agencies, liquidity providers, bond counsel or the bond trustee. The Financial Advisor will serve for calendar years 2019 and 2020.

HESAA sent the RFP to 19 financial advisory firms, posted the RFP on HESAA's website and advertised the RFP in the Trenton Times, Star Ledger, Courier News, and Home News.

Three proposals were submitted by: Hilltop Securities, SL Capital Strategies LLC, and a joint proposal from Phoenix Advisors LLC and Callowhill Capital Advisors.

Selection Process

An evaluation committee made up of HESAA's Chief Financial Officer, Controller and Director of Legal & Governmental Affairs reviewed and scored the three proposals based on the following selection criteria:

1. The experience of the firm in advising on tax-exempt student loan revenue bond offerings;
2. The relevant experience of the staff assigned to the Authority;
3. The quality of the response to the RFP;
4. The ability to meet the needs of the Authority; and
5. The fee proposed.

Based on their review of the three proposals, the evaluation committee recommends re-appointing HESAA's current financial advisor, Hilltop Securities. While the joint proposal from Phoenix Advisors LLC and Callowhill Capital Advisors demonstrated general financial advisory experience, the firms had no prior student loan experience. In addition, the fee structure seemed high.

SL Capital Strategies LLC's proposal demonstrated relevant experience with comparable loan programs and strong analytic capabilities. However, they are not also an underwriter and do not provide advice and analytical service to determine the fair values and effectiveness of hedge transactions and compliance with Commodity Futures Trading Commission rules. HESAA would have to hire an additional advisor if these services are required.

Hilltop Securities continues to demonstrate a depth of expertise and relevant experience to meet all of HESAA's needs. They provide all services required by HESAA, including any possible derivative deals. As they are also a broker/dealer they are subject to additional oversight by bodies such as the SEC and MSRB. In addition, Hilltop Securities proposed the most cost effective fees.

The maximum proposed fee by Hilltop Securities for financial advisory services is \$125,000 per transaction, plus expenses. In response to requested quotes for related services that were included in the RFP, Hilltop Securities has proposed a fee of \$7000 per scenario for cash flow modeling; a fee of \$2 per \$1000 of notional amount for swap termination services; a fee of 2 basis points of the amount invested for guaranteed investment contract bid management services, with a maximum fee of \$34,000; and a fee of \$1,250 per SWAP for GASB #53 swap valuation and effectiveness testing. It should be noted that in the current market environment, it is unlikely that a Guaranteed Investment Agreement will be sought as an investment vehicle for new bond proceeds.

Recommendation

It is recommended that the Board approve the attached Resolution 16:18 approving the appointment of Hilltop Securities as the Authority's Financial Advisor for the years 2019 and 2020.

Attachments

EVALUATION SCORE SHEET HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
(Financial Advisor Proposal Evaluation)

BIDDER Hilltop DATE 10/2/2018

SUMMARY OF EVALUATION TEAM'S COMMENTS: Hilltop is also a broker/dealer and therefore subject to additional oversight by bodies such as the SEC and MSRB; provides all services required by HESAA, including any possible derivative deals; demonstrates depth of expertise and relevant experience.

Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response

CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The experience of the firm in advising on tax-exempt student loan revenue bond offerings	9	10	9	20	560
The relevant experience of the staff assigned to the Authority	10	10	9	20	580
The quality of the response to the RFP	7	6	7	15	300
The ability to meet the needs of the Authority	9	9	9	15	405
The fee proposed	8	7	8	10	230
The technical qualifications, experience and time commitment of personnel assigned to the project, as demonstrated by descriptions of experience contained in the RFP response	10	9	9	20	560
Total					2635

EVALUATION SCORE SHEET HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
(Financial Advisor Proposal Evaluation)

BIDDER Phoenix DATE 10/2/2018

SUMMARY OF EVALUATION TEAM'S COMMENTS: These firms have no student loan experience; while the fee structure is transparent, it is high.

Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response

CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The experience of the firm in advising on tax-exempt student loan revenue bond offerings	0	0	0	20	0
The relevant experience of the staff assigned to the Authority	6	6	6	20	360
The quality of the response to the RFP	7	6	8	15	315
The ability to meet the needs of the Authority	2	2	2	15	90
The fee proposed	3	3	3	10	90
The technical qualifications, experience and time commitment of personnel assigned to the project, as demonstrated by descriptions of experience contained in the RFP response	3	3	3	20	180
Total					1035

EVALUATION SCORE SHEET
 HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
 (Financial Advisor Proposal Evaluation)

BIDDER SLCS DATE 10/2/2018

SUMMARY OF EVALUATION TEAM'S COMMENTS: Has relevant experience with comprable state loan programs; demonstrates strong analytics; not also an underwriter; does not provide advice and analytical service to determine the fair values and effectiveness of hedge transactions and compliance with Commodity Futures Trading Commission rules, HESAA would have to hire an additional advisor if these services are required.

Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response

CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The experience of the firm in advising on tax-exempt student loan revenue bond offerings	8	7	8	20	460
The relevant experience of the staff assigned to the Authority	9	8	9	20	520
The quality of the response to the RFP	9	9	8	15	390
The ability to meet the needs of the Authority	8	6	7	15	315
The fee proposed	7	7	7	10	210
The technical qualifications, experience and time commitment of personnel assigned to the project, as demonstrated by descriptions of experience contained in the RFP response	8	8	7	20	460
Total					2355

RESOLUTION 16:18

APPOINTING A FINANCIAL ADVISOR FOR AUTHORITY BOND ISSUES

Moved by: Mr. Robert Shaughnessy

Seconded by: Mr. Bader Qarmout

WHEREAS: The Higher Education Student Assistance Authority (HESAA) appoints a Financial Advisor to serve as the Independent Registered Municipal Advisor for all of its bond transactions; and

WHEREAS: On August 29, 2018 HESAA issued a Request for Proposals (RFP) seeking proposals from firms interested to serve as Financial Advisor to HESAA for bonds issued through negotiated sale for 2019 and 2020; and

WHEREAS: HESAA sent the RFP to 19 financial advisory firms, posted the RFP on HESAA's website and advertised the RFP in the Trenton Times, Star Ledger, Courier News, and Home News; and

WHEREAS: HESAA received three proposals in response to the RFP; and

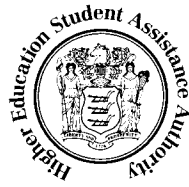
WHEREAS: An Evaluation Committee comprised of the Authority's Chief Financial Officer, Controller and Director of Legal Affairs reviewed all of the proposals; and

WHEREAS: Hilltop Securities received the highest score as a result of such evaluation.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the appointment of Hilltop Securities, 485 Madison Avenue, Suite 1800, New York, New York 10022, as Financial Advisor for 2019 and 2020 at a cost of \$125,000 per bond issue; a fee of \$7000 per scenario for cash flow modeling; a fee of \$2 per \$1000 of notional amount for swap termination services; a fee of 2 basis points of the amount invested for guaranteed investment contract bid management services, with a maximum fee of \$34,000; and a fee of \$1,250 per SWAP for GASB #53 swap valuation and effectiveness testing.

October 24, 2018



State of New Jersey

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Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow *DJS*
Executive Director

FROM: Russell Archer *RA*
Assistant Director, Servicing & Collections

SUBJECT: Resolution 17:18 Appointing Special Counsel to a List of Attorneys to Assign Educational Receivables Files

DATE: October 24, 2018

Background

On September 6, 2018 the Higher Education Student Assistance Authority (HESAA) issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection. Additionally, the firms on the list will represent HESAA in contesting the dischargeability of a debtor from bankruptcy, in Administrative Wage Garnishment hearings and collection related appellate work. The term of the appointment for the placement of new files will be two years.

HESAA emailed the RFQ to the law firms currently providing these services for HESAA and other entities that reached out to HESAA, posted the RFQ on HESAA's website and advertised the RFQ in the Trenton Times, Star Ledger, Courier News, and Home News.

HESAA received proposals from five law firms, all of which currently represent HESAA.

Selection Process

An evaluation committee made up of HESAA's Chief Compliance Officer, Controller, Assistant Director of Servicing & Collections, and Servicing & Collections Program Officer met and reviewed each of the responsive proposals.

The selection criteria for reviewing Collection Counsel proposals were as follows:

- Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work;
- The firm's recovery performance;
- Average time it takes the firm to liquidate debt;
- Resources of the firm;
- Approach to communication with HESAA; and
- Past experience of HESAA with the firm and/or attorneys, if applicable.

The committee determined that a firm must achieve a minimum score of 2500, meaning that it was deemed overall to be "good," to be recommended for placement on the list. Pursuant to the RFQ the list was limited to five firms.

Based on the reviews, all of the firms met the minimum threshold for appointment. In addition, HESAA staff has been satisfied with the performance of three of the firms, Fein, Such, Kahn & Shephard, P.C., The Grogan Law Group and Schachter Portnoy LLC and therefore recommends that these three firms be placed on the list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection.

While staff has been generally satisfied with the performance of the other two firms, Russell Goldman PC, and Solomon & Solomon, HESAA has been experiencing a few issues with both firms' reporting processes. As such, the committee recommends that these two firms also be placed on the list, with new placements of files contingent on providing proof satisfactory to HESAA that all essential reporting issues have been resolved.

HESAA staff will assign files to the firms based on the following criteria, as was specified in the RFQ:

- The background, qualifications, skills, and experience of the firm and its staff with specific reference to educational receivables collections practice;
- The firm's degree of expertise in all facets of providing legal services relating to educational receivables collections;
- The Authority's prior experiences with the firm, if applicable;
- The firm's recovery performance;
- The average time it takes the firm to liquidate debt;
- The firm's handling of customer service issues;
- The firm's familiarity with the work, requirements, and systems of New Jersey State Authorities and those of the Higher Education Student Assistance Authority; and
- Geographical location of the firm's offices.

Recommendation

It is recommended that the Board approve Resolution 17:18 Appointing Fein, Such, Kahn & Shephard, P.C., The Grogan Law Group and Schachter Portnoy LLC to a List of Attorneys to Assign Educational Receivables Files and Appointing Russell Goldman PC and Solomon & Solomon PC as Special Counsel to be placed on a List of Attorneys to Assign Educational Receivables Files for a two-year term whereby placement of files is contingent on providing proof satisfactory to HESAA that all essential reporting issues have been resolved.

Attachment

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)				
BIDDER	DATE	October 17, 2018				
SUMMARY OF EVALUATION TEAM'S COMMENTS: The evaluators felt the bidder was responsive to inquiries from the Authority. It is noted that the bidder has a higher recovery rate than the other bidders.						
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response						
CRITERIA	SCORE 1	SCORE 2	SCORE 3	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	5	9	7	7	20	560
The firm's recovery performance	5	9	8	8	20	600
Average time it takes the firm to liquidate debt	5	8	7	7	20	540
Resources of the firm	9	7	7	7	15	450
Approach to communication with HESAA	9	8	6	6	15	435
Past experience of HESAA with the firm and/or attorneys	9	7	6	6	10	280
Total					100	2865

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)				
BIDDER	DATE	October 17, 2018				
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
This bidder was formerly known as the Law Offices of Richard Krieg and has had an organizational change. The bidder is responsive to inquiries from the Authority but it is noted that they do need to increase their recovery rate.						
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response						
CRITERIA	SCORE 1	SCORE 2	SCORE 3	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	5	7	8	8	20	560
The firm's recovery performance	5	5	4	4	20	360
Average time it takes the firm to liquidate debt	5	6	5	4	20	400
Resources of the firm	8	8	8	8	15	480
Approach to communication with HESAA	8	7	8	7	15	450
Past experience of HESAA with the firm and/or attorneys	4	8	7	7	10	260
Total					100	2510

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)				
FIN						
BIDDER						
Schachter Portnoy LLC	DATE	October 17, 2018				
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
The evaluators felt the bidder was responsive to inquiries from the Authority. It is noted that the bidder has a lower, but still acceptable, recovery rate than the other bidders.						
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response						
CRITERIA	SCORE				TOTAL	
	SCORE 1	SCORE 2	SCORE 3	SCORE 4		WEIGHT
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	5	6	8	8	20	540
The firm's recovery performance	5	7	5	5	20	440
Average time it takes the firm to liquidate debt	5	7	5	5	20	440
Resources of the firm	8	8	7	7	15	450
Approach to communication with HESAA	8	8	8	7	15	465
Past experience of HESAA with the firm and/or attorneys	8	6	8	7	10	290
Total					100	2625

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)					
BIDDER	Russell Goldman PC	DATE	October 17, 2018				
SUMMARY OF EVALUATION TEAM'S COMMENTS:							
<p>Recently the bidder has experienced an operational issue reporting information to the Authority including but not limited to, the need to automate some processes. The evaluation team took note of the handling of the issue and scored the responses accordingly. Prior to placing additional loans with the bidder, the firm will be required to provide proof that these issues have been resolved. It is noted that the bidder must also submit remittances and reports in the required format.</p>							
<p>Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response</p>							
CRITERIA	SCORE 1	SCORE 2	SCORE 3	SCORE 4	WEIGHT	TOTAL	
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	7	9	8	8	20	640	
The firm's recovery performance	5	9	8	7	20	580	
Average time it takes the firm to liquidate debt	5	8	7	7	20	540	
Resources of the firm	1	5	4	4	15	210	
Approach to communication with HESAA	7	5	5	5	15	330	
Past experience of HESAA with the firm and/or attorneys	3	6	7	6	10	220	
Total					100	2520	

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)				
BIDDER Solomon & Solomon		DATE October 17, 2018				
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
Recently the bidder has experienced an operational issue reporting information to the Authority. The bidder must apply, remit, and report payments received from any source on all loans on a loan level and provide updated policies and/or procedures to the Authority. It is noted that the bidder must also submit letters and all reports in the required format.						
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response						
CRITERIA	SCORE 1	SCORE 2	SCORE 3	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	5	8	7	8	20	560
The firm's recovery performance	5	7	8	7	20	540
Average time it takes the firm to liquidate debt	5	7	8	7	20	540
Resources of the firm	2	8	7	7	15	360
Approach to communication with HESAA	2	8	6	6	15	330
Past experience of HESAA with the firm and/or attorneys	1	6	5	5	10	170
Total					100	2500

Threshold Score

2500

Bidder	Score
Russell Goldman PC	2520
Schachter Portnoy LLC	2625
The Grogan Law Group	2510
Fein, Such, Kahn & Shephard, P.C.	2865
Solomon & Solomon	2500

Pass

Pass

Pass

Pass

Pass

RESOLUTION 17:18

APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN EDUCATIONAL RECEIVABLES FILES

Moved by: Dr. Jon Larson
Seconded by: Mr. Michael Scardina

WHEREAS: On September 6, 2018 the Higher Education Student Assistance Authority (HESAA) issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of no more than five outside counsel firms to which HESAA can assign defaulted student loans and other educational receivables for collection; and

WHEREAS: Five law firms provided proposals in response to the RFQ; and

WHEREAS: An evaluation committee made up of HESAA's Chief Compliance Officer, Controller, Assistant Director of Servicing & Collections, and Servicing & Collections Program Officer met and reviewed each of the proposals; and

WHEREAS: All five firms exceeded the minimum score for placement on the list of attorneys to which HESAA assigns educational receivable files; and

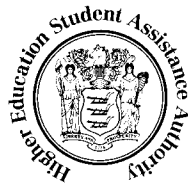
WHEREAS: Two of the firms need to improve the processes they use for reporting to HESAA.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board hereby appoints Fein, Such, Kahn & Shephard, P.C., The Grogan Law Group and Schachter Portnoy LLC as Special Counsel to be placed on a List of Attorneys to Assign Educational Receivables Files for a two-year term; and be it further

RESOLVED: That the Board hereby approves appointing Russell Goldman PC and Solomon & Solomon PC as Special Counsel to be placed on a List of Attorneys to Assign Educational Receivables Files for a two-year term whereby placement of files is contingent on providing proof satisfactory to HESAA that all essential reporting issues have been resolved.

October 24, 2018



State of New Jersey

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PHILIP D. MURPHY
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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: Marnie B. Grodman, Esq. 
Director, Legal & Governmental Affairs

SUBJECT: Resolution 18:18 Approving the Extension of the Agreement With Obermayer Rebmann Maxwell & Hippel LLP, Special Counsel to Assist in the Review of Materials Related to 529 Plans and Providing General Tax Advice For One Year

DATE: October 24, 2018

Background

The Higher Education Student Assistance Authority (HESAA) administers the New Jersey Better Educational Savings Trust (NJBEST) program, New Jersey's State qualified tuition program under Section 529 of the Federal Internal Revenue Code of 1986, as well as the Franklin Templeton 529 College Savings Plan ("529 Plans").

At its October 22, 2015 meeting, as a result of a Request for Qualifications, the Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans, as well as to provide general tax advice as questions arise. The appointment was for a term of 2 years with three optional one-year extensions.

Obermayer was appointed to provide opinions and advice to HESAA on all documents prepared by HESAA's investment manager, Franklin Templeton, related to the 529 Plans. These documents include but are not limited to: investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements.

Additionally, HESAA requires responses to specific tax questions that may arise from time to time in relation to its business and program, including but not limited to issues related to student loans, student loan forgiveness, scholarships and employee benefits. Obermayer has provided prompt and professional advice in response to all requests for opinions.

At its October 25, 2017 meeting the Board approved the first of three one-year extensions and staff recommends approving the second one-year extension with Obermayer, Rebmann, Maxwell & Hippel, LLP, as special counsel to assist in the review of materials related to the 529 Plans and provide general tax advice.

Recommendation

It is recommended that the Board approve Resolution 18:18 providing a one year extension of the retainer agreement with Obermayer Rebmann Maxwell & Hippel LLP as Special Counsel to Assist in the Review of Materials Related to 529 Plans and to provide general tax advice upon request at a rate of \$325 per hour for attorneys and \$100 per hour for paralegals.

Attachment

RESOLUTION 18:18

**APPROVING THE SECOND EXTENSION OF THE CONTRACT WITH OBERMAYER
REBMAN MAXWELL & HIPPEL LLP, SPECIAL COUNSEL TO ASSIST IN THE
REVIEW OF MATERIALS RELATED TO 529 PLANS AND PROVIDING GENERAL
TAX ADVICE FOR ONE YEAR**

Moved: Ms. Maria Torres
Seconded: Ms. Christy Van Horn

WHEREAS: At its October 22, 2015 meeting, as a result of a Request for Qualifications, the Higher Education Student Assistance Authority Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans as well as to provide general tax advice as questions arise; and

WHEREAS: The Board appointed Obermayer for a term of 2 years with three optional one-year extensions; and

WHEREAS: Obermayer has provided the Authority with prompt and professional legal advice with regards to investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements; and

WHEREAS: Obermayer has provided the Authority with prompt and professional advice with regards to specific tax questions in relation to its business and program including but not limited to issues related to student loans, student loan forgiveness, scholarships and employee benefits; and

WHEREAS: At its October 25, 2017 meeting, the Board approved the first one year extension of the retainer agreement. The Authority desires to continue this contract with Obermayer Rebmann Maxwell & Hippel LLP.

NOW THEREFORE, LET IT BE:

RESOLVED: The Higher Education Student Assistance Authority hereby approves the second one year extension of the retainer agreement with Obermayer Rebmann Maxwell & Hippel LLP as Special Counsel to Assist in the Review of Materials Related to 529 Plan as well as provide general tax advice as questions arise at a rate of \$325 per hour for attorneys and \$100 per hour for paralegals.

October 24, 2018



We promise
to know you and help you.

**New Jersey Higher Education
Student Assistance Authority**

Board Meeting
October 24, 2018

Agenda

- Terms of Engagement
- Responsibility Overview
- Audit Results
- GASB Update
- Questions

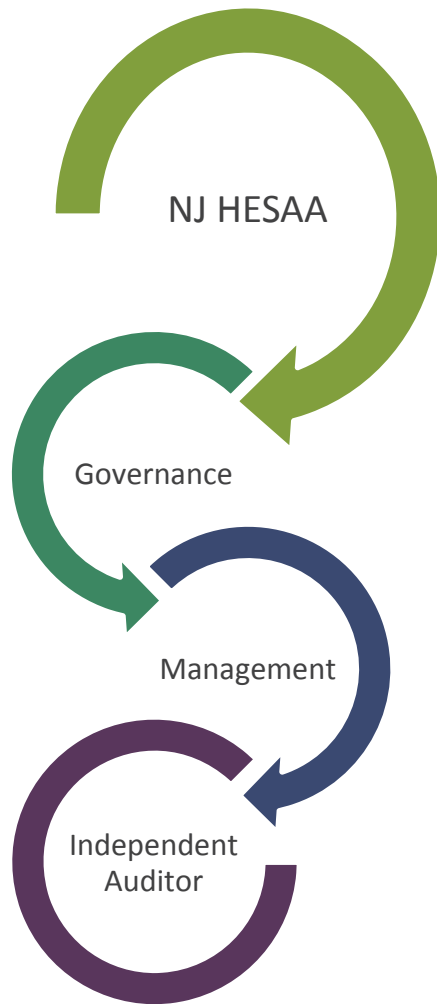


Terms of Engagement

- **Express an opinion on the following financial statements as of and for the year ended June 30, 2018**
 - New Jersey Higher Education Student Assistance Authority NJCLASS/FFELP Loan Programs (the “Programs”)
 - New Jersey Higher Education Student Assistance Other HESAA Fiduciary Programs and Funds (the “Funds”)
 - New Jersey World Trade Center Scholarship Fund
- **Issue an Auditor’s report on internal control over financial reporting and compliance in accordance with *Government Auditing Standards***
- **Issue an Internal control letter that includes required internal control findings, and provides our observations and recommendations on enhancing accounting controls and related processes, business risks, and other operating matters, if needed**
- **Provide consent letters for the Student Loan Revenue Bonds, Series 2018-1, required by the underwriter**



Responsibility Overview



Governance

Strategic Direction

Accountability, including financial reporting

Management

Internal Controls

Accounting Policies

Management Decisions

Fair Presentation of Financial Statements

Programs to Prevent and Detect Fraud

Independent Auditor

Opinion on Fair Presentation of Financial Statements

Audit in Accordance with GAAS and GAGAS

Reasonable, not Absolute Assurance

Understanding of Internal Controls

Risk Based Audit Approach

Audit Results – Financial Statements

Independent Auditors' Reports

- Includes **unmodified** opinions for the Authority's NJCLASS, Other HESAA Programs and Funds, and the New Jersey World Trade Center Scholarship Fund
- Affirm financial statements are presented fairly in all material respects

Report on Internal Controls over Financial Reporting, Compliance and Other Matters

- No material weakness in internal control noted
- No other deficiencies in internal control noted
- No non-compliance with laws and regulations noted
- No other matters noted



Audit Results – Governance Communication

Auditors' Responsibility

- Audit performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards

Accounting Policies

- Management's significant accounting policies are described in Note 1

Other Information in Documents Containing Audited Financial Statements

- Required Supplementary Information - Management's Discussion and Analysis
- NJCLASS/FFELP Loan Programs - Supplementary Information
- Other HESAA Program and Funds - Supplementary Information



Audit Results – Governance Communication (Continued)

Significant Estimates

- Allowance for Defaulted Student Loans
- Allowance for Doubtful Accounts
- We concluded that management has a reasonable basis for significant judgments and estimates that impact the financial statements

No disagreements with management or difficulties encountered

No corrected or uncorrected misstatements were noted

Management representations are provided in a separate letter that affirms representations made throughout the audit.

The Authority did not consult with other independent accountants and all significant matters discussed with management did not impact our retention as auditors



Audit Results

Internal Controls

- We consider internal controls for the purpose of determining the nature, timing and extent of audit procedures
- We gain an understanding through:
 - Inquiries of management and other Authority personnel
 - Walkthroughs of significant processes/cycles
- No *material weaknesses* identified
- We do not express an opinion on the effectiveness of the Authority's internal controls because it is not required under GAAS or GAGAS

Compliance

- No matters to report



GASB Update

Expected Effective Dates

- **2019**
 - Statement 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements
- **2020**
 - Statement 84 - Fiduciary Activities
- **2021**
 - Statement 87 - Leases



Questions?

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Assurance Principal

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