



*The Authority on Financial Aid*

# 2011 ANNUAL REPORT

## **HESAA's Mission**

The Higher Education Student Assistance Authority (HESAA) is the only New Jersey State agency with the sole mission of providing students and families with financial and informational resources for students to pursue their education beyond high school. These include grants, scholarships, loans, loan redemption programs, a college savings plan and comprehensive outreach programs.

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## **Message from HESAA's Executive Director**

The Higher Education Student Assistance Authority achieved a great deal in 2011. Within this report is a host of facts and figures which make a compelling case that HESAA is fulfilling its mission of providing students and families with the informational and financial resources necessary to attain a higher education.

Facts and figures alone, however, do not tell the whole story of what was accomplished in 2011. A number of initiatives came to fruition during the year that have improved customer service, increased revenue and positioned HESAA to meet future challenges.

In October of 2011, HESAA implemented online bill pay through our website for our New Jersey College Loans to Assist State Students (NJCLASS) customers. Several features make this new system attractive to borrowers. For example, there is no fee for making payments on line; customers can schedule their payments up to 20 days in advance; they can also avoid late payments by making payments on the due date; and they can receive immediate email confirmation of the payment for their records.

At the end 2011, HESAA made its first foray into the federal Direct Lending (DL) arena. HESAA executed a contract with the Missouri Higher Education Loan Authority to provide full service remote site maintenance and collections of HESAA's allocation of 100,000 accounts under the DL program. This partnership has allowed HESAA to realize revenue from these accounts without incurring the significant concomitant costs of servicing that allocation of loans.

Compliance with the Federal Information Security Management Act (FISMA) was a top priority for the Authority in 2011 and will continue to be a front burner issue in the succeeding years. HESAA is committed to protecting students' private data to the highest degree of industry standards and to implementing the latest technologies and evolving best practices. As cyber security threats change, HESAA is well positioned to meet those threats because of the efforts deployed in 2011.

Finally, HESAA adopted a new organizational chart to better align core functions, capitalize on program synergies and best utilize the expertise of our dedicated staff. Specifically, all administrative and cross-cutting functions were placed under the Chief of Staff. The servicing and collections unit was separated from the loan originations unit with the former reporting to the Chief Financial Officer and the latter reporting to the Senior Director of Financial Aid Services.

As a practical matter, Annual Reports chronicle the past, but they should also provide insight into the future. The good work that occurred in 2011 and outlined herein has certainly positioned HESAA for an exciting future.

Thank you for your support of HESAA and the New Jersey students and families we serve.

Sincerely,



## **Making Education Accessible and Affordable Is One of HESAA'S Proudest Missions**

### ***GRANTS***

One of the nation's premier need-based programs, HESAA's Full Time Tuition Aid Grant program (TAG), provided approximately 71,300 awards totaling \$282 million in FY 2011.

HESAA also supports the infrastructure used by the Office of the Secretary of Education<sup>1</sup> to administer the Educational Opportunity Fund (EOF) Program on behalf of the Commission on Higher Education providing grants to approximately 13,400 students.

### ***SCHOLARSHIPS***

HESAA awarded over 10,400 merit-based scholarships in 2011, helping to keep the State's high achieving students in New Jersey through the Edward J. Bloustein Distinguished Scholar Award, Urban Scholar Programs, NJ STARS and NJ STARS II Programs.

### ***COLLEGE SAVINGS PLAN***

NJBEST provides families the opportunity to start an independent savings account for a child's college fund, and offers a scholarship for eligible savers who attend school in New Jersey. As of the end of FY2011, the NJBEST program had over 257,000 accounts with over \$3.0 billion of assets under management.

### ***STUDENT LOAN PROGRAMS***

HESAA's NJCLASS program, a model for similar State-based supplemental student loan programs in the Nation, is also one of the Nation's leading and lowest cost fixed-rate supplemental student loan programs. In Fiscal Year 2011, NJCLASS originated nearly 25,000 individual loans totaling approximately \$337 million.

## **Grants and Scholarships Programs**

### ***TUITION AID GRANT (TAG)***

Helping students who attend New Jersey institutions, TAG consistently ranks among the top five grant programs in the nation, based upon award values.

- FY 2011 AWARDS: 71,343 students totaling \$281,995,208

### ***PART-TIME TUITION AID GRANT (TAG) FOR COUNTY COLLEGE STUDENTS***

Students enrolled for between 6 and 11 credits in a degree or certificate program at any of New Jersey's 19 county colleges may be eligible for these awards.

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<sup>1</sup> Pursuant to the Governor's reorganization plan effective June 29, 2011, the New Jersey Commission on Higher Education was abolished and replaced by the Office of the Secretary of Higher Education.

- FY 2011 AWARDS: 10,495 students totaling \$6,659,976

***EDUCATIONAL OPPORTUNITY FUND GRANTS (EOF)***

This program provides financial assistance and educational support services to low-income New Jersey undergraduate and graduate students.

- FY 2011 AWARDS: 13,454 students totaling \$16,448,020

***EDWARD J. BLOUSTEIN DISTINGUISHED SCHOLAR AWARD***

This four-year renewable scholarship recognizes the exceptional academic performance of New Jersey's high school students. The award is based upon a student's high school class rank and SAT scores. This program is being phased out and was only available to renewal students in FY 2011.

- FY 2011 AWARDS: 3,936 students totaling \$3,545,974

***URBAN SCHOLAR AWARD***

Based on class rank and high school GPA, this renewable scholarship is designed to support students from the State's urban and economically distressed areas. This program is being phased out and was only available to renewal students in FY 2011.

- FY 2011 AWARDS: 1,718 students totaling \$1,492,148

***JOHN R. JUSTICE LOAN REDEMPTION GRANT***

This second year federal pilot program provides partial loan redemption of student loan debt for eligible prosecutors and public defenders who commit to continued service in their public offices.

- FY2011 AWARDS: 30 recipients totaling \$167,502

**In 2011, HESAA delivered nearly \$700 Million in aid to further students' access to higher education and increase their opportunities for lifelong success**

***STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP (NJ STARS)***

New Jersey students who graduate in the top 15% of their high school class are potentially eligible for this program, which statutorily covers county college tuition and fees for up to 18 credits per semester, for up to 5 semesters. The Fiscal Year 2011 budgetary footnote language limited the award to county college tuition.

- FY 2011 AWARDS: 2,598 students totaling \$7,314,546

***NJ STARS II***

NJ STARS II recipients are NJ STARS eligible students who graduated from a community college with a GPA of 3.25 or higher.

- FY 2011 AWARDS: 2152 students totaling \$5,751,850

***VETERINARY MEDICAL EDUCATION PROGRAM<sup>2</sup>***

HESAA administers contractual agreements with out-of-state schools of veterinary medicine for New Jersey residents.

The following schools currently participate in the program:

- Tuskegee University
- Oklahoma State University
- Tufts University
- FY 2011 AWARDS: 11 students totaling \$124,760

**Loans & Outreach**

***FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)***

As one of the original guaranty agencies in the Federal Family Education Loan Program, HESAA worked on behalf of the federal government to provide guarantees for federal student loans. Between 2000 and 2010, HESAA paid federal default fees on behalf of FFELP borrowers, saving those students well over \$39 million which would have otherwise been charged on student loans.

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<sup>2</sup> Further reductions in the number of Veterinary Medical Education Program participants in FY2010 reflects the ongoing phase-out of the program.

As of July 1, 2010, the FFELP program was largely abolished, with no new loans originated; however, HESAA continued to earn revenues as guarantor for our very large portfolio of FFELP loans which were made prior to July 1, 2010. The abolition of the FFELP program provided the Authority with a new landscape of opportunities and in 2011, HESAA began to take advantage of those opportunities. Following HESAA's acceptance by the United States Department of Education as an eligible not-for-profit servicer, the Authority partnered with the Missouri Higher Education Loan Authority (MOHELA) as a servicer of 100,000 federal Direct Loans. Servicing fees on those loans both offset further reductions in FFELP guarantor revenues and provide additional support for other critical HESAA programs. HESAA will continue to evaluate additional opportunities to participate in USDE sponsored programs and looks forward to pursuing those opportunities which align with our mission while strengthening revenue.

### ***COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS)***

HESAA helps students and families close the gap between financial aid and college costs by providing the NJCLASS loan. Available to New Jersey residents as well as out of state students who attend school in New Jersey, NJCLASS offers one of the most affordable fixed-rate supplemental loans in the entire nation. We were proud to have been the Nation's top not-for-profit issuer of supplemental student loans in 2010.

### ***HESAA.ORG WEBSITE***

HESAA provides timely, reliable information that students, their parents and financial aid professionals can access around the clock. Our redesigned website now allows students, parents and financial aid professionals to access even more valuable information more quickly and more intuitively than ever. New this year, customers can now make their NJCLASS Loan payments online at no cost.

### ***MAPPING-YOUR-FUTURE.ORG***

Information on selecting a school, planning for college, and paying for college can be found at this award-winning website, co-sponsored by HESAA. The site schedules forums to answer questions for students and their families.

### ***R.E.A.L. SUCCESS***

HESAA offers a Repayment Education About Loans (R.E.A.L.) Success program that educates students about the importance of repaying their student loans, managing delinquencies and controlling defaults.

The program is comprised of six components and includes *Real Money 101* – a curriculum designed to promote awareness about the importance of building sound money and debt management skills – and Cohort e-manager, which allows schools to manage delinquencies and reduce defaults.

## **HESAA's Contributions towards Advancing the Economic Growth Strategy of the State Of New Jersey**

2011 was another successful year in HESAA's proud and long-standing tradition of promoting the State's overarching economic growth strategy by assisting in the continuing development of a world-class New Jersey workforce. The State Office of Economic Growth identified this as a priority in advancing the State's program for economic growth. In that regard, HESAA was at the forefront of the State's critical initiatives by assisting the State's students in obtaining a higher education which is, now more than ever, essential for competing in our global economy. As a direct result of services and expertise provided by the dedicated and professional HESAA staff, more New Jersey students and families than ever before were provided with the information and resources to access and afford higher education. The overwhelming majority of New Jersey's high school graduates intend to continue their postsecondary education and, in 2011, HESAA assisted a great number of those students by providing one or more critical products and services including, grant and scholarship funds, loan redemptions, low cost private student loans, student loan servicing and student outreach. HESAA recognizes the importance of identifying and serving those populations where postsecondary education participation rates are low. In 2011 our client services staff increased the number of student outreach presentations available to those communities in an effort to provide those families and students with information and advice on how to achieve their goals of attaining postsecondary education.

In fiscal year 2011, the Authority provided almost \$337 Million in NJCLASS loans to 24,807 borrowers. In addition, HESAA processed 534,266 grant applications and awarded a total of \$289,075,796 in Full Time and Part Time TAG funds to New Jersey students in fiscal year 2011. The combined grant and loan dollars administered by HESAA assist students as they advance their goals of achieving education beyond high school and also advance the State's interests in maintaining and growing a highly educated and highly skilled work force. Given the challenges presented by the difficult economic landscape in 2011, greater retention of New Jersey's highly educated and highly skilled work force is that much more critical in further promoting the State's economic interests to attract and retain business in the State.

Retention of the State's best and brightest students was further promoted by the Authority's administration of the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) and New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Programs. These programs provide tuition for qualifying students for up to 18 credits per semester for attendance at the resident county college (NJ STARS) and provide either \$3,000 or \$3,500 per semester (depending on GPA) for qualifying students who transfer from a county college to a 4 year public college (NJ STARS II). These programs, together with the additional grant and scholarship programs administered by HESAA, promote the State's economic priority of the continued development of a world-class, highly educated work force.

The most recently published statistics from the United States Bureau of Labor Statistics reveal annual compensation figures based upon attained educational degrees as follows:<sup>3</sup>

- High School Diploma \$33,176
- Bachelor Degree \$54,576
- Advanced Degree \$86,580

Increased annual salaries result in increased income tax revenues, thereby advancing the State's economic growth. More recently published data establishes positive trends regarding employment for those who continue on to postsecondary education. Specifically, the number of college-educated workers has increased almost every year. Over the period from 1992 to 2009, the number of college-educated workers increased from 27 million to 44 million. In contrast, the number of employed individuals with only a high school diploma or without a high school diploma has remained steady or decreased.<sup>4</sup> A detailed look at unemployment rates by educational attainment for 2011 reveals the following:<sup>5</sup>

- Professional Degree 2.4%
- Master's Degree 3.6%
- Bachelor's Degree 4.9%
- Associate Degree 6.8%
- Some College (no degree) 8.7%
- High School Diploma 9.4%

These statistics show the tremendous advantage gained by continuing on to postsecondary education but they do not show the whole picture. Students who attend institutions of higher education obtain a wide range of personal, financial, and other lifelong benefits<sup>6</sup>; likewise, taxpayers and society as a whole derive a multitude of direct and indirect benefits when citizens have access to postsecondary education. Accordingly, an uneven rate of participation in higher education across different segments of our society is a matter of urgent concern not only to the individuals directly affected, but also to public policymakers here in New Jersey and at the federal level.<sup>7</sup> College graduates contribute to vastly increased tax revenues and rely significantly less on government support programs.<sup>8</sup> Moreover, college graduates are more likely than non graduates to receive health insurance and pension benefits from their employers and also tend to lead healthier lifestyles, reducing overall healthcare costs to

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<sup>3</sup> High School Diploma and Bachelor Degree compensation published April 27, 2009. Advanced Degree compensation published October 26, 2006.

<sup>4</sup> Employment data published March 2012 by the United States Bureau of Labor Statistics.

<sup>5</sup> 2011 employment data by educational attainment published March 23, 2012 by the United States Bureau of Labor Statistics.

<sup>6</sup> The College Board, Education Pays 2010

<sup>7</sup> National Center for Education Statistics, 2010

<sup>8</sup> "The Benefits to Taxpayers from Students' Educational Attainment", Stephen Carroll & Emre Erkut, 2009

themselves and to society.<sup>9</sup> College-educated parents engage in more educational activities with their children which helps prepare them for academic success, resulting in enhanced postsecondary educational opportunities for future generations.<sup>10</sup>

In 2011, through the administration of its programs, HESAA was proud to assist a greater number of New Jersey's students in attaining their goals of higher education. These same programs further promote the State's interest in attracting new businesses, including new technology and high technology businesses, by providing a more highly trained and better educated work force.

The Authority's continued administration of various loan redemption programs continued in 2011. Each of these valuable programs advanced the State's interests by strengthening critical infrastructure needs in New Jersey's underserved communities and professions. In 2011 HESAA continued to administer the John R. Justice Loan Redemption Grant Program which, by redeeming a portion of eligible recipient's student loan debt, provided incentives for current prosecutors and public defenders in New Jersey to remain in their important offices, thereby strengthening the pool of experienced attorneys in each office. The Authority also continued its administration of the Social Services Student Loan Redemption Program (SSSLRP) which provided incentives for college graduates to work in the social services field with public or non-profit social service agencies. The program is designed to address the current and projected shortage of social service direct care professionals in the State of New Jersey, and to ensure the provision of quality services to persons in need, including persons with mental illness, developmental and other disabilities. The Social Services Student Loan Redemption program provided loan redemption to recent college graduates who were hired as full-time direct care professionals at eligible social service agencies. Eligible participants received \$5000 per year of full-time qualified service for up to four years with a \$20,000.00 maximum redemption. This program was available to renewal participants only for fiscal year 2011.<sup>11</sup>

In addition, the Authority again administered the Teaching Fellows Program which recognizes New Jersey's shortage of teachers who instruct students in the critical need areas of mathematics, science, foreign language, and special education. Additionally, the Program recognizes the difficulty that certain New Jersey school districts have in acquiring and retaining talented teachers. In 2011, the Teaching Fellows Program addressed these issues by rewarding those teaching in selected school districts in New Jersey with student loan redemption. Finally, the Authority again administered the Primary Care Physician and Dentist Loan Redemption Program and the Nursing Faculty Loan Redemption Program in 2011. The Primary Care program promotes access to primary care services in medically underserved areas of the State by improving the distribution of primary care health providers, including physicians, dentists, physician assistants and certified nurse practitioners and certified nurse midwives, by redeeming eligible student loan expenses of providers in exchange for specified periods of service in medically underserved areas. The program provides up to \$120,000 in student loan redemption for two to four years of service as a primary care provider in areas of medicine defined by the Commissioner of Health and Senior Services or the U.S. Department of Health and Human Services in areas identified by the Commissioner of Health and Senior Services as

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<sup>9</sup> Economic Policy Institute, 2010; National Center for Health Statistics, 2008

<sup>10</sup> National Center for Education Statistics, 2009

<sup>11</sup> There were no new SSSLRP program participants admitted in FY2011.

experiencing a health professional shortage. HESAA has always been proud of its role in helping to support and strengthen New Jersey's underserved communities by administering these loan redemption programs.

The Nursing Faculty Loan Redemption program addresses shortages of nursing faculty in the state by providing student loan redemption for full-time faculty employment at State schools of nursing. The program provides up to \$50,000 in student loan redemption for over a five year period.

## **HESAA's Contribution in Furtherance of the State's Priority of Promoting Fiscal Responsibility**

Unlike other State Agencies and Authorities whose fiscal viability is dependent upon State appropriations, HESAA is entirely self-supported by its own revenue. HESAA's non-State revenue supports the administration of State and Federal student aid programs including TAG, financial aid training, outreach programs, and provides direct borrower benefits to New Jersey students without a State appropriation for administration.

In 2010, the Authority successfully refinanced approximately \$1.08 Billion of Auction Rate Bonds (ARCs) to less costly fixed-rate securities. This significantly reduced the Authority's ongoing debt service on those bonds and further reduced the Authority's exposure to increases in interest rates and the illiquidity of the Auction Rate markets. We completed that important refinancing in 2011 by refinancing approximately \$140,000 of ARCs which remained after 2010.

HESAA's continued participation in the State's comprehensive annual internal control management and evaluation program as determined by the New Jersey Treasurer's Office of Management and Budget (OMB) process revealed, once more, no weaknesses in the Authority's internal control environment. Moreover, HESAA complies with all State-mandated procurement and financial control directives. HESAA's accounts are on the Treasury's cash management system and the Authority's off-line accounts are audited by an independent public accounting firm. No findings were issued by the Authority's new independent auditors, Clifton Gunderson, LLP.

HESAA is proud to remain an integral part of assuring that New Jersey continues to grow and improve an ever expanding, highly educated, highly competitive workforce.

**State of New Jersey  
Higher Education Student Assistance Authority  
Combined Statements of Net Assets**

|  | <b>June 30,</b>         |                         |
|--|-------------------------|-------------------------|
|  | <b>2011</b>             | <b>2010</b>             |
| <i>Assets</i>                              |                         |                         |
| <b>Cash and Cash Equivalents</b>           | \$ 201,949,351          | \$ 466,667,941          |
| <b>Investments</b>                         | 3,121,094,202           | 2,491,563,281           |
| <b>Receivables</b>                         |                         |                         |
| Federal Government                         | 14,027,173              | 14,630,241              |
| Loans                                      | 2,017,897,701           | 1,846,484,038           |
| Other                                      | 56,839,927              | 12,480,374              |
| <b>Fixed Assets, Net</b>                   | 555,382                 | 728,418                 |
| <b>Other Assets</b>                        |                         |                         |
| Due from Intergovernmental Agencies        | 1,458,260               | 1,196,961               |
| Deferred Charges                           | 17,384,660              | 41,255,562              |
| <b>Total Assets</b>                        | <b>\$ 5,431,206,656</b> | <b>\$ 4,875,006,816</b> |
| <i>Liabilities and Fund Balances</i>       |                         |                         |
| <i>Liabilities</i>                         |                         |                         |
| Accounts payable and accrued expenses      | \$ 46,196,336           | \$ 39,588,684           |
| Due to federal government                  | 7,204,845               | 12,536,667              |
| Revenue bonds payable                      | 2,102,026,306           | 2,249,321,666           |
| <b>Total Liabilities</b>                   | 2,155,427,487           | 2,301,447,017           |
| <i>Fund Balances</i>                       |                         |                         |
| Reserved for Loan Servicing                | 119,417,072             | 214,656,446             |
| Restricted                                 | 3,156,362,097           | 2,358,903,353           |
| <b>Total Fund Balances</b>                 | <b>3,275,779,169</b>    | <b>2,573,559,799</b>    |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 5,431,206,656</b> | <b>\$ 4,875,006,816</b> |

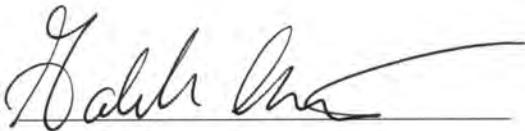
**State of New Jersey  
Higher Education Student Assistance Authority  
Combined Statements of Revenues, Expenditures and Changes in Net Assets**

|   | <u>Year ended June 30,</u> |                         |
|---|----------------------------|-------------------------|
|   | <u>2011</u>                | <u>2010</u>             |
| <i>Revenues</i>                             |                            |                         |
| Appropriations                              | \$ 348,518,751             | \$ 398,675,107          |
| Federal and other grants                    | 88,802,421                 | 99,867,919              |
| Fees  | 169,644,553                | 159,381,466             |
| Investment earnings                         | 486,703,730                | 239,853,892             |
| Other                                       | <u>763,562,104</u>         | <u>934,404,983</u>      |
| <b>Total Revenues</b>                       | 1,857,231,559              | 1,832,183,367           |
| <i>Expenditures</i>                         |                            |                         |
| Direct Grant Aid to Students                | 313,538,322                | 398,260,875             |
| Program expenses                            | 709,799,299                | 766,507,559             |
| Administrative expenses                     | 20,890,282                 | 45,587,367              |
| Debt service interest                       | <u>99,694,138</u>          | <u>90,526,909</u>       |
| <b>Total Expenditures</b>                   | 1,143,922,041              | 1,300,882,710           |
| <b>Excess of Revenues over Expenditures</b> | 713,309,518                | 531,300,657             |
| <b>Less:</b>                                |                            |                         |
| <b>Year-end Lapsed Funds</b>                | (11,090,148)               | (4,570,865)             |
| <b>Net Assets - Beginning of Year</b>       | <u>2,573,559,799</u>       | <u>2,046,830,007</u>    |
| <b>Net Assets - End of Year</b>             | <u>\$ 3,275,779,169</u>    | <u>\$ 2,573,559,799</u> |

## Certification of Compliance with Executive Order 37

We jointly certify that in compliance with paragraph 2 of Executive Order 37, HESAA has, to the best of our knowledge, followed all of the Authority's standards, procedures, and internal controls. We further jointly certify that HESAA fully participated in the prescribed Internal Control Assessment as directed by the Office of Management and Budget and no internal control weaknesses were revealed.

We hereby certify that the foregoing statements are true to the best of our knowledge. We understand that if any of the foregoing statements are willfully false, we are subject to punishment.

By: 

Gabrielle Charette, Esq.  
Executive Director

By: 

Eugene Hutchins  
Chief Financial Officer