

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

July 21, 2021

The Higher Education Student Assistance Authority (HESAA) Board held a remote teleconference meeting on July 21, 2021 at 10:00 am via GoTo Meeting.

PRESENT: HESAA Board Members: Ms. Isabella Berdugo-Hernandez; Dr. Brian Bridges, Secretary of Higher Education; Ms. Nelly Celi; Ms. Beatrice Daggett; Mr. Thyquell Halley; Dr. Jon Larson; Ms. Jean McDonald Rash; Mr. Scott Salmon; Mr. Robert Shaughnessy, Treasurer's Designee; Mr. David Socolow; and Ms. Christy Van Horn, Chair.

ABSENT: None

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:00. David Socolow stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Van Horn welcomed the Board members and advised that since this meeting is being held remotely, Roseann Sorrentino would conduct a roll call for the resolutions.

Ms. Van Horn welcomed Joy Johnson, Associate Counsel from the Governor's Authorities Unit; and Erin Herlihy, Deputy Attorney General from the New Jersey Division of Law, along with Legal Interns Angela Reading and Sean Milligan.

Christy Van Horn introduced the new Student Advisory Committee Chair Isabella Berdugo-Hernandez and Vice-Chair Thyquell Halley.

Deputy Attorney General Erin Herlihy swore in the new Chair and Vice-Chair of the Student Advisory Committee.

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

CONSIDERATION OF THE MINUTES OF THE APRIL 21, 2021 MEETING

A motion to approve the minutes of the April 21, 2021 meeting was made by Robert Shaughnessy and seconded by Jon Larson. The minutes were approved unanimously with two abstentions by Isabella Berdugo-Hernandez and Thyquell Halley, who did not attend the April 21, 2021 meeting.

RESOLUTION 10:21 ELECTING THE EXECUTIVE COMMITTEE

Jean Rash McDonald made the following presentation to the Board:

In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed Stephanie Berdugo-Hernandez, Scott Salmon, and myself to the Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board.

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

At the April 21, 2021 Board meeting, the Chairperson advised members to contact HESAA if they were willing and able to serve on the Executive Committee.

The Nominating Committee met on June 21, 2021 and recommends electing the following officers for Fiscal Year 2022: Christy Van Horn as Chairperson, Beatrice Daggett as Vice Chairperson, Scott Salmon as the member of the Executive Committee representing the public members, and Dr. Jon Larson as the member of the Executive Committee representing institutional members.

A motion to approve Resolution 10:21 was made by Robert Shaughnessy and seconded by Nelly Celi. The motion passed unanimously.

RESOLUTION 11:21 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2021-2022

Jean Hathaway presented Resolution 11:21 to the Board.

Resolution 11:21 will establish award values for the Full-Time Tuition Aid Grant Award table for the 2021-2022 academic year.

The purpose of the TAG Program is to reduce the tuition component of the cost of attending college for students who demonstrate financial need. The structure of the TAG award table is based on a numeric New Jersey Eligibility Index (NJEI) that represents the relative dollar amount the student and family are expected to be able to contribute toward college costs, as determined through a needs analysis methodology. The NJEI ranges on the award table are referred to as "cells."

Students demonstrating the highest need are those in the first cell, with an NJEI under 1,500. In Academic Year 2020-2021, more than 47% of all TAG recipients were in this cell and therefore were eligible for the maximum TAG award amount. Students with NJEIs in subsequent cells are eligible for proportionately lower awards that decrease as the family's calculated ability to contribute to educational expenses increases.

On June 29, 2021, Governor Murphy signed P.L. 2021, c. 133, which directed the Board to develop a table of TAG award amounts based on the FY 2022 State appropriations for TAG. This included both \$472,887,000 for TAG and the separate appropriation for \$558,000 for part-time students eligible to receive TAG awards through the Educational Opportunity Fund (EOF) Program. The

Part-Time TAG for EOF Students program is presented together with the full-time TAG table because these EOF students are typically enrolled full-time and are approved by the EOF program on an exception basis for a limited period of part-time enrollment.

Pursuant to FY 2022 budget language, unexpended balances from the FY 2021 TAG account are re-appropriated and available to fund increases in the number of applicants qualifying for TAG, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs. The Appropriations Act also includes language appropriating such additional funds as are required as a result of changes in program participation patterns.

Attachment A shows the proposed distribution of the average AY 2021-2022 Full-Time TAG award amounts projected across the TAG table cells. The total Full-Time Tuition Aid Grant Award Table for AY 2021-2022 shown in Attachment A is projected to fund 65,936 full-year equivalent awards, of which approximately 47% are projected to qualify for maximum awards totaling approximately \$268.987 million. This also includes the Part time TAG for EOF program.

The recommended Full-Time TAG Award Table in Attachment A focuses the additional \$35 million in full-time TAG funding on improving parity among the TAG award amounts provided to students at the State's two sectors of senior public higher education institutions (the State Colleges and Universities and the Public Research Universities). The first priority for this additional funding is to increase and standardize the TAG schedules for students at each level of financial need within these sectors, to reduce the inequities of the AY 2020-21 maximum TAG award amounts at certain public institutions that were lower than the TAG awards provided to equally needy students at other public institutions. Additional available funding will be used to increase the TAG award amounts for students at every other institution.

The Full-Time TAG Award Table shows:

- Maximum award values for students at the State Colleges and Universities are proposed to be increased to \$8,700, not to exceed tuition, with proportional increases to the other award values in these institutions' TAG tables;
- Within the Public Research University sector, the award values for students at Montclair State University and Rowan University award values are proposed to be increased to equal the AY 2021-22 award values at Rutgers University;
- The AY 2021-22 award values at all other institutions not already mentioned are proposed to be increased 2 percent across-the-board from their 2020-2021 AY award table values.

It is recommended that the Board approve Resolution 11:20 adopting Attachment A as the Full-Time Tuition Aid Grant Award Table for academic year 2021-2022.

A motion to approve Resolution 11:21 was made by Brian Bridges and seconded by Beatrice Daggett.

Chair Van Horn expressed her strong support for this approach to increasing TAG award amounts. She stated that in 2018, she led the HESAA Board in convening an Ad Hoc committee to examine various options for improving the TAG program. That committee held several meetings in the summer and fall of 2018, and every idea they considered was contingent on additional TAG funding. She advised that one of the key concepts the committee discussed was improving parity among students at institutions within in the same sector. Now, the Governor and Legislature have provided \$35 million more for TAG. Chair Van Horn is delighted that HESAA can use these added resources to increase awards and advance parity for thousands of needy students at public four-year schools while at the same time providing a 2% increase to the TAG award amounts for all other students. Chair Van Horn applauded Jean Hathaway and the HESAA staff for this thoughtful proposed TAG Table. She stated that it will significantly help our state's neediest students pay for college and urged her colleagues on the Board to support it.

The motion passed unanimously.

RESOLUTION 12:21 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2021-2022

Jean Hathaway presented Resolution 12:21 to the Board.

Resolution 12:21 will establish award values for the Part-Time TAG for County Colleges Program for the 2021-2022 academic year.

On June 29, 2021, Governor Murphy signed P.L. 2021, c. 133, which includes a statutory provision directing HESAA to adopt TAG award tables for Academic Year 2021-2022 based on the available appropriations for TAG.

The Part-Time TAG Award Table shown in Attachment A follows the same parameters used to construct the 2021-2022 full-time TAG award table. The full-time TAG awards were prorated by 50% or 75% to account for anticipated numbers of part-time TAG awards for students enrolled in 6-8 credits ("half-time") or 9-11 credits ("three-quarter time") per semester, respectively.

It is recommended that the Board approve Resolution 12:21 Adopting Attachment A as the Part-Time Tuition Aid Grant (TAG) for County Colleges Award Table for Academic Year 2021-2022.

A motion to approve Resolution 12:21 was made by Jon Larson and seconded by Jean McDonald Rash.

The motion passed unanimously.

RESOLUTION 13:21 ADOPTING MAXIMUM COMMUNITY COLLEGE OPPORTUNITY GRANT AWARD AMOUNTS FOR ACADEMIC YEAR 2021-2022

Jean Hathaway presented Resolution 13:21 to the Board.

Resolution 13:21 will establish the maximum individual CCOG award amount for students at each county college.

The State first offered CCOG awards for the spring 2019 semester pursuant to the FY 2019 Appropriation Act. On February 26, 2021, Governor Murphy signed the CCOG Program Act into law and on June 29, 2021 he signed the FY 22 Appropriation Act, which includes an appropriation of \$27.0 million for CCOG.

The CCOG Program Act requires the Higher Education Student Assistance Authority (HESAA) to annually establish a maximum individual grant.

The Table of Maximum CCOG Awards shown in Attachment A calculates the maximum individual grant award for each county college at an amount equal to:

- the tuition at each school for AY 2021-2022, not to exceed two percent above 2020-2021 tuition, as required by FY 2022 budget language; plus
- \$3,000 towards fees.

Pursuant to P.L. 2021, c. 26, for students enrolled for at least six credits but less than 12 credits in an associate's degree, certificate, or three plus one degree program, a CCOG award shall be prorated from the full-time approved tuition and approved educational fees based on the number of credits for which that student is enrolled. Therefore, the Table of Maximum CCOG Awards shown in Attachment A provides maximum individual grant awards. Maximum CCOG awards for part-time students for each county college calculated as follows:

- 50 percent of the value of a full-time award for eligible students enrolled for 6–8 credits per semester; and
- 75 percent of the full-time award value for students enrolled for 9–11 credits per semester.

Current projections indicate that the \$27.0 million appropriation will be sufficient to fund the Table of Maximum CCOG Awards shown in Attachment A.

It is recommended that the Board approve Resolution 13:21 Adopting Attachment as the Maximum Community College Opportunity Grant Awards for Academic Year 2021-2022.

A motion to approve Resolution 13:21 was made by Isabella Berdugo-Hernandez and seconded by Jon Larson.

Chair Van Horn commented that this is the first time the Board will see this Table and they will continue to see it in the future. This program started as a good idea and proved to be a popular program for students.

The motion passed unanimously.

RESOLUTION 14:21 APPROVAL OF HESAA'S FY 2022 ADMINISTRATIVE AND CAPITAL BUDGETS

Jerry Traino presented this item to the Board.

On July 1, 2021 the members of the Board Budget Committee reviewed and discussed with HESAA staff the proposed Fiscal Year 2022 administrative and capital budgets presented to the Board today.

HESAA's proposed Fiscal Year 2022 Administrative Budget totals \$31.1 million and will be fully funded through HESAA annual revenues and appropriated reserves as detailed in the attachment labeled Schedule 1 provided to the Board.

These revenues include earnings from our administration of the NJCLASS and NJBEST programs, carryforward of unused refund proceeds from the Authority's refinancing the 2010-1 bond series last year, as well as scheduled payments pursuant to our ongoing, five-year post-FFELP transfer agreement with KHEAA.

LOOKING FIRST AT REVENUES

As displayed in Schedule 1, HESAA's Administrative budget no longer includes annual revenue from administration of the Federal Family Education Loan Program (FFELP). As of January 1, 2020, HESAA transferred its remaining FFELP portfolio to KHEAA and HESAA is no longer a federal Guaranty Agency.

As also detailed in Schedule I HESAA administrative projected revenues for FY 2022 total \$31.1 million, which is an increase of roughly \$170,000 over FY 2021 budget levels.

These revenues include:

\$4.2 million from NJBEST Administration – NJBEST revenue for FY 2022 is projected to total \$6 million from the fees and interest earnings related to the NJBEST trust for administration of the program. This amount is reduced by \$1.9 million set aside for NJBEST scholarship obligations, resulting in net revenues of \$4.2 million. This set-aside is an increase of \$1.1 million over FY 2021 scholarship obligations.

- HESAA has recently increased the one-time NJBEST scholarship award amounts from a range of \$500 to \$1,500, set nearly 20 years ago at the inception of the State's 529 program, to a range of \$1,000 to \$3,000 per student (depending on the number of years in which the account holder made contributions).

\$26.9 million from the administration of the NJCLASS Program - which is a net decrease of \$650,000 from FY 2021 budget.

Under the NJCLASS loan program HESAA receives 1% of the 3% origination fee applied to new loans; earns servicing and administrative fees from the Bond Trust Estate which are paid from the spread between the cost of capital and the loan rate; and retains revenue from a portion of the recovery from NJCLASS loans.

Before reviewing the revenue components from the NJCLASS program it is important to highlight that HESAA experienced lower demand for NJCLASS loans during the 2020-2021 academic year due to State and national pandemic mitigation policies which impacted enrollment at institutions of higher education.

Additionally, during the pandemic, the Authority expanded the criteria for financial hardship repayment relief to include COVID-related impacts on borrowers' ability make their scheduled payments. HESAA suspended collection activities such as wage garnishments and withholding of state income tax refunds to collect on past due loans, and instructed contracted collection attorneys not to pursue certain court actions against defaulted accounts.

While these necessary measures to protect borrowers during the pandemic impacted overall NJCLASS program revenues in FY 2021, the Authority anticipates a return to historical volumes of loan originations and program revenues in the upcoming 2021-2022 academic year.

As noted above, included in the revenues from the NJCLASS program for FY 2022 are:

- 1) Carryforward of 2010-1 Series Bond Refunding Excess - As the Authority's 2020 bond deal was structured last year, HESAA realized excess funds from the refinancing of its 2010-1 bond series, and these funds were set aside in the FY 2021 budget for operating expenses as well as to replenish equity contribution reserve funds for future bond deals. At the time HESAA anticipated that its 2021 bond deal would need some amount of HESAA funds contributed as collateral to expand eligibility for participation in the RAP and HIARP payment relief programs to all Standard NJCLASS borrowers.

However, the 2021 bond deal was ultimately structured in a manner that we were not required to deposit as much HESAA funds into the collateral for the 2021 Indenture but we were still able to fully cover the anticipated costs of offering the RAP and HIARP repayment options to borrowers with loans originated prior to 2017 and 2018, respectively.

The proceeds from the refinancing of the 2010-2 indenture, which the Board just approved in April 2021, provided the necessary collateral. Thus, funds originally set aside for this purpose from the 2010-1 indenture are now available to carry forward into FY 2022.

- 2) Also included in the FY 2022 CLASS revenues are Cash Receipts on HESAA Loans - HESAA anticipates an increase in the FY 2022 budget related to additional defaulted collection costs on the non-trust assets.
- 3) Finally, the NJCLASS revenues include monies from our Post-FFELP Servicing Agreement - This represents the annual revenue HESAA will receive from KHEAA in exchange for HESAA's continued support to KHEAA's customers and our assistance with data migration and KHEAA's related technical requests on the FFELP program.

Turning now to the operating side of the budget and shifting to anticipated expenditures, HESAA's proposed administrative expenditures for FY 2022 is \$31.1 million. This is nearly flat to the FY 2021 budget. It will support 139 HESAA positions and all non-salary costs associated with fulfilling HESAA mission of student assistance. Just for the record, the Authority saw six (6) retirements during FY 2021.

Changes in the FY 2022 expenditures versus FY 2021 include:

- \$2.1 million decrease in lower than anticipated bond-related transaction costs and equity contributions/loan program collateralization needs.
- \$2.1 million increase in employee salaries and costs of benefit related to contractually obligated cost of living increases as well as increases in the State Health Benefits Program costs.

Taking a look at HESAA's capital budget as detailed in Schedule 2, the proposed Capital Budget of \$2.57 is roughly \$400,000 more than the FY 2021 capital budget. The FY 2022 Capital spending plan includes \$855,000 of unspent FY 2021 capital resources which will be carried over.

The major expenditures for FY 2022 include technology infrastructure and customer authentication software needs, as well as a backup electricity generator and related data center flooring improvements.

That in summary form is the proposed FY 2022 Administrative and Capital budgets for HESAA.

I am conveying the Budget Committee's recommendation that the Board approve Resolution 14:21. I now turn back to the Chair for discussion.

A motion to approve Resolution 14:21 was made by Robert Shaughnessy and seconded by Beatrice Daggett.

Secretary Bridges and Chair Van Horn commented on the number of retirements in FY 2021. Chair Van Horn questioned whether the staffing levels are adequate to meet HESAA's needs. David Socolow responded that the Authority has a lot of new duties to carry out and this budget includes resources for planned hiring to meet these needs.

The motion passed unanimously.

RESOLUTION 15:21 APPOINTING A PROGRAM MANAGER FOR THE PAY IT FORWARD PROGRAM

David Moffett presented Resolution 15:21 to the Board.

Last month, Governor Murphy and the New Jersey CEO Council announced the launch of a new initiative, the New Jersey Pay It Forward Program. This innovative program will provide interest- and fee-free loans from a revolving fund to support low-income New Jersey career seekers participating in approved training programs. New Jersey is the first state in the country to dedicate public resources to a fund of this nature.

On June 4, 2021 HESAA issued a request for proposals (RFP) seeking proposals from organizations interested in serving as a Program Manager to help develop and implement the Pay It Forward Program. The RFP specified that the Program Manager's duties will include: creating and administering the Pay It Forward Fund that will finance the Program; designating the selected training providers; recruiting the participants; administering the stipends and wraparound services; and administering the Pay It Forward loans. The RFP requires the Pay It Forward loans to be designed with strong student-centric provisions, including an income-based repayment model that

calculates affordable monthly payments as a percentage of participants' discretionary income and requires no payments when participants' post-training income falls below a certain threshold, enabling trainees to support their families without incurring unmanageable debt. If the loan is not fully repaid five years after the participant completes the training program, the remaining balance will be forgiven.

HESAA issued the RFP by sending it to eight organizations with experience in similar endeavors, posting it on HESAA's website, and advertising it in the state's NJ Advance Media and Gannett newspapers.

HESAA received one joint proposal from Social Finance as the primary contractor and a proposed subcontract with MOHELA to administer the loan originations and servicing component of the program.

An evaluation committee made up of representatives from HESAA, the Division of Consumer Affairs (DCA), the Department of Banking and Insurance (DOBI), the Department of Labor and Workforce Development (DOL), the Economic Development Authority (EDA), and the Office of the Secretary of Higher Education (OSHE) reviewed the proposal from Social Finance and MOHELA using Program Narrative, Bidder Requirements and Budget Summary & Narrative as selection criteria.

Based on this review, the evaluation committee found that Social Finance's proposal is clear and comprehensive with demonstrated strong security protocols, innovative project planning, implementation abilities, and the flexibility to create the program that best meets New Jersey's needs. Social Finance affirmed their understanding that the administrative costs for this program will not come from State funding, as well as their understanding as to the extent of the administrative costs needed to administer Pay It Forward. The proposal lays out a reasonable budget, as well as a reasonable timeline to have the program running in approximately six months.

The proposal also describes a number of state-level programs Social Finance has developed in other states. In doing so, Social Finance demonstrates their track record in building out models for programs that did not previously exist. While Social Finance's previous experience is mostly with creating Income Share Agreement programs, from which the Pay It Forward initiative differs in significant respects, their proposal establishes Social Finance's ability and willingness to adapt and improve upon previous models to create New Jersey's Pay It Forward Program.

As Social Finance meets the necessary requirements, it is recommended that the Board approve the attached Resolution 15:21 approving the appointment of Social Finance as the Program Manager for the Pay It Forward Program to originate Pay It Forward Loans for five (5) years, with an option to extend the origination period for up to two (2) successive terms of five (5) years, at the discretion of the State Agencies. The term of the Contract will extend until all Pay It Forward Loans issued during each five-year origination period have been paid in full or forgiven.

A motion to approved Resolution 15:21 was made by Thyquel Halley and seconded by Brian Bridges.

Chair Van Horn commended the State on commencing this new program that will assist a new cohort of New Jersey residents.

Secretary Bridges commented on how the Pay It Forward Program evolved over the last several months and that HESAA is the best place for the program. He commended HESAA's staff for their efforts to help develop this program.

The motion passed unanimously.

RESOLUTION 16:21 SPECIAL ADOPTION AND CONCURRENT PROPOSAL OF REGULATIONS GOVERNING NJBEST MATCHING GRANT PROGRAM

Marnie Grodman presented Resolution 16:21 to the Board.

On June 29, 2021 Governor Murphy signed the New Jersey College Affordability Act. Among other provisions, this Act establishes an NJBEST Matching Grant, which is a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to a NJBEST account when the account is initially opened by a taxpayer with gross income of \$75,000 or less.

The Act authorizes HESAA to immediately adopt regulations to administer this program. This means that the regulations the Board approves today will be effective immediately upon submission to the Office of Administrative Law. Since this is a special adoption, the rules are only effective for 360 days. Therefore, HESAA is submitting the rules as both an adoption and a concurrent proposal, providing the public the opportunity to comment prior to the re-adoption of the rules within their initial 360 days of effectiveness.

As described more fully in the memo, the rules establish the parameters for the NJBEST matching grant program, including how account holders can apply for the grant, the documentation needed to verify an account holder's income, the length of time an account must remain open to retain the grant, and the number of matches to which a beneficiary is entitled. The rules also specify that the NJBEST matching grants are available for accounts opened on or after June 29, 2021, the effective date of the Act.

It is recommended that the Board approve the adoption and concurrent proposal of the attached regulations.

A motion to approve Resolution 16:21 was made by Jean McDonald Rash and seconded by Beatrice Daggett.

The motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Executive Director David Socolow gave the following report:

Thank you Chairwoman Van Horn and members of the Board, including our new Chair and Vice Chair of the Student Advisory Committee, welcome to both of you, and thanks to all the Board for the crucial actions you have taken today. With your support, and thanks to Governor Murphy's

leadership and our partnership with the New Jersey Legislature, HESAA is launching consequential initiatives to help tens of thousands of New Jerseyans achieve success in their lives and careers through more affordable postsecondary education and training. Thank you for this opportunity to highlight the exciting new endeavors we're pursuing to make college more affordable, boost the value of need-based financial aid grants, create incentives for families to save for future postsecondary education expenses, and start up an innovative Pay It Forward program with strong supports for student loan borrowers.

Through all this work, HESAA and its partners will further the objectives of the State Higher Education Plan as well as JobsNJ, the State's Talent Development Plan, to assist career-seeking New Jerseyans in obtaining the education and training they need, and to ensure businesses and employers that offer high-quality employment in New Jersey can quickly and efficiently fill their talent needs. We are ready to step up to these challenges and excited to get started.

Fiscal Year 2022 Funding

Several of the agenda items approved by the Board today are made possible by the major investments included in the Fiscal Year 2022 Appropriations Act and the associated legislation that Governor Murphy signed into law on June 29, 2021. We are grateful to the Governor and the Legislature for assigning such a high priority to postsecondary access and affordability.

First, last month's budget law advances Governor Murphy's goal of a College Promise that offers eligible students a tuition-free, four-year pathway to a bachelor's degree. Making college tuition free will enable many New Jersey residents to earn industry-valued credentials to pursue their dreams of career success and a better life, without borrowing as much student loan debt.

The Fiscal Year 2022 Appropriations Act establishes the statewide Garden State Guarantee as a complement to our existing Community College Opportunity Grant. Starting in Fall 2022, the Garden State Guarantee will provide last-dollar institutional financial aid that fully covers students' tuition and fees in their third and fourth year at one of New Jersey's 11 public four-year colleges or universities, for students from families with an adjusted gross income of \$65,000 or less (the same income threshold parameters as the Community College Opportunity Grant). Eligible students will be able to attend a community college for two years without paying a penny in tuition and required fees, and then transfer to a four-year public institution for an additional two years – ultimately graduating with a bachelor's degree free of any charges for tuition or required fees. The Garden State Guarantee also includes a sliding scale of guaranteed tuition discounts for students whose household incomes are greater than \$65,000 in their third and fourth years of enrollment at public four-year institutions; and all students will be guaranteed a predictable tuition and fee pricing structure throughout the length of their academic programs. Because the College Promise is designed as "last-dollar" aid, eligible students must apply every year for all the federal Pell grants and other state and federal grants and scholarships for which they may be eligible. And it's important to note that although we are taking enormous strides in making public colleges and universities tuition- and fee-free for many low- and moderate-income students, other costs of attendance remain for students to pay, such as books, transportation, food, housing, and child care.

Students receive Community College Opportunity Grants through financial aid administered by HESAA, which this Board advanced today by approving the Academic Year 2021-2022 maximum per-student award amounts funded by the \$27 million appropriation for this program.

Turning next to the Tuition Aid Grant (TAG) program, today the Board adopted a policy that will deploy significant new funding for full-time TAG in Academic Year 2021-2022. With available appropriations increased by \$35 million, about eight percent (8%) greater than the prior year's level, the TAG program is now redressing the disparities among the TAG awards for equally needy students enrolled at institutions within the same sector. As you know, TAG funding has not kept pace with increases in tuition in recent decades. While the dollar value of students' TAG awards was once determined by individual schools' published tuition rates, over the past decade these award amounts have been relatively static, save for occasional modest "base-plus" across-the-board percentage increases using available appropriations. As a result, inequities developed among the dollar values of the TAG awards provided to students at the seven State Colleges and Universities and the four Public Research Universities, with significant and growing gaps in the amount of the TAG award for students with the same level of financial need enrolled at different public bachelor's degree-granting institutions. Today's action by this Board will advance parity in the TAG program for students at the state's senior public colleges and universities, while increasing the grant schedules for students at every participating institution in New Jersey. Thanks to this historic funding increase and the associated TAG table the Board approved today, tens of thousands of students will qualify for an increase of more than \$2,000 in their annual TAG awards, enhancing their prospects of academic success and reducing their student loan debt.

I am also pleased to report that the final FY 2022 Appropriations Act also maintained other State-funded financial aid accounts at the prior year's levels, including part-time TAG for county college students and for EOF students, New Jersey Student Tuition Assistance Reward Scholarships (NJ STARS and NJ STARS II), Governor's Urban Scholarships, New Jersey World Trade Center Scholarships, and the Loan Redemption Programs for Primary Care Practitioners and Nursing Faculty.

The FY 2022 budget agreement also funded three new efforts: the Pay It Forward program, enhancements to the NJBEST 529 College Savings Plan, and a Lifelong Learning Account pilot.

New Jersey Pay It Forward Program

HESAA received a direct appropriation of \$5 million to implement this new program to provide interest- and fee-free loans from a revolving fund to support low-income New Jersey career seekers participating in approved training programs. Governor Murphy announced this partnership with business leaders from the New Jersey CEO Council, which consists of CEOs from BD, Campbell Soup Company, Johnson & Johnson, Merck & Co., Prudential Financial, PSEG, RWJBarnabas Health, and Verizon. New Jersey is the first state in the country to dedicate public resources to a fund of this nature, which will be augmented with significant additional funding from private grants pledged by CEO Council members.

The innovative design of the Pay It Forward Program will effectively stretch the funding to provide low-income New Jersey career seekers with training opportunities that otherwise would be unattainable due to limited resources. Participants enrolled in Approved Training Programs will receive wrap-around services not already included in tuition, such as career counseling, and they will receive stipends for living expenses. Pay It Forward Loans will pay for the direct costs of attendance, such as tuition, materials, and supplies. The Fund will finance these direct costs included in the loans, plus the wraparound services and stipends. However, participants will only be required to repay the Pay It Forward Loans. Participants will repay these loans at zero percent (0%) interest and zero fees, with monthly repayments determined through an income-based

repayment calculation of 10 percent of the participant's discretionary income in each year after the participant completes the training, and with remaining balances forgiven with no further payments required after five (5) years. All repayments received from the first round of participants will be deposited into the Fund to finance Pay It Forward Loans, stipends, and wrap-around services for future cohorts of participants.

With today's approval of the contract engaging Social Finance as the Pay It Forward Program Manager, HESAA can take the next steps to launch this project in partnership with the Governor's office, the CEO Council, and an interagency task force of several State agencies.

NJBEST Enhancements

The New Jersey College Affordability Act, P.L. 2021, c. 128, was enacted alongside the FY 2022 budget, and it provided \$10 million to HESAA to offer dollar-for-dollar matching grants when lower-income New Jerseyans open a new NJBEST account. These one-time grants will match up to \$750 in individual contributions to a newly opened account by a New Jersey resident whose income is \$75,000 or less. We will work to raise awareness of this crucial new support for college savings, along with an additional provision of the New Jersey College Affordability Act that makes up to \$10,000 in annual contributions to an NJBEST account deductible for State income taxpayers with incomes of \$200,000 or less. These two new incentives build on the regulation that this Board approved at its last meeting to double the value of NJBEST scholarships to award as much as \$3,000 to NJBEST account beneficiaries who enroll at a postsecondary institution in New Jersey. These programs will encourage more New Jersey families to pursue long-term, consistent savings, helping reduce the amount of debt they take on when the student ultimately enrolls in college.

Lifelong Learning Accounts (LiLAs)

Over the next several months, HESAA will start up an additional pilot program to fund workforce training opportunities for low-income and disadvantaged jobseekers. In partnership with the Governor's Office of Innovation and the New Jersey Department of Labor and Workforce Development, HESAA will open these Lifelong Learning Accounts (LiLAs) on behalf of individuals, using up to \$10 million in FY 2022 funds allocated by the Labor Department for this purpose. Individuals in this program will not be required to make a contribution to their LiLA accounts. However, they have that option to make contributions to their accounts because HESAA will administer LiLAs through the existing NJBEST Savings Plan account infrastructure. This means recipients will own the funds in their accounts in the same manner as any other NJBEST account holder. The participants in this program will also be counseled about strategies for using their LiLA funds effectively to pay for training and services likely to lead to employment in high-quality, in-demand occupations with strong career prospects.

NJCLASS Loans for Academic Year 2021-2022

At the beginning of last month, the Authority launched the new interest rates and options for its New Jersey College Loans to Assist State Students (NJCLASS) family loan program for academic year 2021-2022. These are the lowest interest rates in the 30-year history of the program. HESAA's new rates and expanded repayment options are designed to enable New Jersey students to stay on track toward degree completion.

As highlighted on the new, more visually appealing NJCLASS webpage, these loans can save families a lot of money. In Academic Year 2021-2022, qualified borrowers will pay Annual Percentage Rates (APRs) of 3.78%, 4.2%, or 5.16% for Standard NJCLASS loans with 10-year,

15-year, or 20-year repayment terms, respectively. By contrast, New Jersey families would pay higher APRs of 7.2%, 7.1%, or 6.9% for federal Parent PLUS loans with equivalent terms, and a middle-income family would typically have to pay even higher costs for credit-tiered private supplemental education loans. Furthermore, NJCLASS borrowers can save even more by opting for an automatic monthly repayment plan of principal and interest to qualify for a 0.25% reduction of their NJCLASS loan interest rate, subject to availability of funds. And, as noted at the last Board meeting, we have expanded our RAP and HIARP repayment assistance options to all prior and future Standard NJCLASS loans.

In addition to financing tuition charges for the upcoming academic year using a Standard NJCLASS loan, families can save money by refinancing their existing student loans with the NJCLASS ReFi+ program. ReFi+ now offers low-cost refinance options for prior student loans at rates as low as 2.99%. Borrowers can apply for ReFi+ loans to refinance NJCLASS loans, federal Parent PLUS loans, or private educational loans into one convenient monthly payment with 10-year or 15-year repayment plans. This year, we also revamped several policies that previously posed barriers to ReFi+ applicants, by enabling borrowers to refinance existing loans while a student still remains enrolled in school and streamlining our credit verification process.

HESAA Operations

HESAA's staff continue to deliver quality services to the public, and starting last week we have begun transitioning back to the office after more than a year of largely remote operations. Over the next several weeks, many HESAA employees will be on a hybrid schedule of working in the office for a few days per week while continuing to work from home on staggered days. For quality assurance and customer service excellence, many of the Authority's direct customer-facing staff are already working five days per week in the office. We anticipate bringing the whole team back to the office full-time, full-week, starting September 7th, provided that public health conditions remain favorable in the fall. I am grateful to the HESAA team for their grace under pressure and all the adjustments they have made to cope with the extraordinary measures we took to slow the spread of the pandemic. I am confident that we will continue to serve the students and families of New Jersey with fidelity and integrity during this new transition period.

I also want to express our gratitude to the Board for approving the Authority's operational and capital budgets at today's meeting. These budgets will enable HESAA to carry out its mission with revenue from NJCLASS and NJBEST investors and without any State appropriated funds for our administrative operations. Many thanks to Jerry, Art, Heidi, and their Finance Department colleagues for this excellent work, not only in the weeks leading up to the presentation of these internal budgets, but all throughout the year. Thanks also to all of the HESAA managers and staff for working creatively to accomplish our goals within the constraints of available funds. As I've just noted, we have a lot to do in the coming year, which will require a lot of effort by everyone on the team and we will use these resources wisely.

HESAA Staff Transitions

Finally, I'd like to thank a longstanding HESAA employee who recently retired and another who will be retiring at the end of next week. Anna Maldonado served as a Customer Care Representative in Client Services for nearly 37 years; always helpful to students and families who often shared messages of appreciation for Anna's courteous and thorough support, Anna will be missed. And Sandy Johnson, a Technical Assistant in the Grants and Scholarships department for 42 years, shared that she loved her role of helping students attend college and brighten their futures.

We are thankful to both Anna and Sandy for their superb contributions to the life and work of the Authority, and wish them well in retirement.

Conclusion

Members of the Board, many thanks again for your support and your continued commitment to expanding access and making college more affordable for the students on whom New Jersey's future depends. We're looking forward to an exciting year ahead. Thank you.

Several members of the Board commended the staff on the significant accomplishments under the extenuating circumstances of the past year and its exciting plans for the coming year. Chair Van Horn thanked the Governor and Legislature for their support of higher education. She also thanked Anna Maldonado and Sandy Johnson for all of the work they have done over so many years and wished them luck upon their retirement.

Secretary Bridges commended the Board on approving the monumental improvements to the TAG table. He commented on how TAG reform has been necessary but unattainable without additional appropriations. Secretary Bridges expressed his appreciation for the Governor, Legislature, HESAA staff, and all of the policy makers for recognizing the needs to reform TAG and the ability to use additional funding to do this the right way.

NEW BUSINESS

Resolution of Appreciation

Chair Van Horn presented resolutions of appreciation for retiring public Board Member Maria Torres, exiting Student Advisory Committee Chair Stephanie Berdugo-Hernandez, and exiting Student Advisory Committee Vice-Chair Dara Dandrea-Giannotti, thanking them for their service and dedication to the Higher Education Student Assistance Authority Board.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, October 21, 2021 at 10:00 AM.

The Audit Committee is scheduled to meet on Friday July 23, 2021 at 10:00 am.

A motion to adjourn was made by Brian Bridges and seconded by Robert Shaughnessy. The motion passed unanimously.

The meeting adjourned at 11:26.

RESOLUTION 10:21

ELECTING THE EXECUTIVE COMMITTEE

Moved by: Mr. Robert Shaughnessy

Seconded by: Ms. Nelly Celi

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

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

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

NOW THEREFORE, BE IT:

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

July 21, 2021



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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 *DJS*
Executive Director

FROM: Jean M. Hathaway *JMH*
Director, Grants and Scholarships

SUBJECT: Resolution 11:21 Adopting a Full-Time Tuition Aid Grant Award Table for Academic Year 2021-2022

DATE: July 21, 2021

Summary

Attached for your review and approval is Resolution 11:21, adopting a Full-Time Tuition Aid Grant Award Table for Academic Year (AY) 2021-2022. In accordance with the provisions of the Tuition Aid Grant (TAG) program statute and pursuant to P.L. 2021, c. 133, this action will establish a table of full-time Tuition Aid Grant award values for the upcoming academic year.

On June 29, 2021, Governor Murphy signed the FY 2022 Appropriations Act, which includes an appropriation of \$473.445 million for two separate line-items that are presented together on the consolidated TAG table: \$472.887 million for TAG awards to full-time students and \$558,000 for Part-Time TAG for Educational Opportunity Fund (EOF) Students. The FY 2022 appropriation for full-time TAG is increased 8 percent over FY 2021 funding (an increase of \$35 million).

Language in the FY 2022 Appropriations Act outlines the following requirements for full-time TAG award levels and program participation:

- Provide TAG awards to all qualified applicants at levels set by the Higher Education Student Assistance Authority (HESAA).
- Provide TAG awards for undocumented students as set forth in P.L.2018, c.12.
- Provide TAG awards to approved incarcerated individuals.
- Participation in the TAG program is limited to institutions that previously participated in the program, or had applied in writing to HESAA to participate in the TAG program prior to September 1, 2009 and met all eligibility requirements prior to that date.

Background

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

The purpose of the TAG Program is to reduce or eliminate the tuition component of the cost of attending college for students who demonstrate financial need. New Jersey's Governors and Legislators have historically authorized significant funding for TAG. However, State appropriations over the past three decades have not been sufficient to fully fund the maximum award levels authorized in statute, which would provide awards of up to 100% of tuition at public institutions, and awards of up to 50% of the average tuition at non-public colleges and universities to students demonstrating the highest financial need.

Each year in July, after the enactment of the Appropriations Act and prior to the start of the academic year, HESAA establishes a table of TAG award values based on application volume, projected demand, and available funds. The Board's action to officially adopt award amounts no later than July is essential to notifying students and institutions of TAG award values prior to the due date of fall semester tuition bills.

The structure of the TAG award table is based on a numeric New Jersey Eligibility Index (NJEI) that represents the relative dollar amount the student and family are expected to be able to contribute toward college costs, as determined through a needs analysis methodology. The NJEI ranges on the award table are referred to as "cells." Students demonstrating the highest need are those in the first cell, with an NJEI under 1,500. In 2020-2021, more than 47% of all TAG recipients were in this cell and therefore were eligible for the maximum TAG award amount. Students with NJEIs in subsequent cells are eligible for proportionately lower awards that decrease as the family's calculated ability to contribute to educational expenses increases.

FY 2022 Available Funds and Projected Award Volume

As directed by P.L. 2021, c. 133, the Board is to develop a table of TAG award amounts based on the FY 2022 State appropriations for TAG, including both \$472,887,000 for TAG and the separate appropriation for \$558,000 for part-time students eligible to receive TAG awards through the Educational Opportunity Fund (EOF) Program. The Part-Time TAG for EOF Students program is presented together with the full-time TAG table because these EOF students are typically enrolled

full-time and are approved by the EOF program on an exception basis for a limited period of part-time enrollment.

Pursuant to FY 2022 budget language, unexpended balances from the FY 2021 TAG account are re-appropriated and available to fund increases in the number of applicants qualifying for TAG, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs. The Appropriations Act also includes language appropriating such additional funds as are required as a result of changes in program participation patterns.

Attachment A shows the proposed distribution of the average AY 2021-2022 Full-Time TAG award amounts projected across the TAG table cells. The total Full-Time Tuition Aid Grant Award Table for AY 2021-2022 shown in Attachment A is projected to fund 65,936 full-year equivalent awards, of which approximately 47% are projected to qualify for maximum awards totaling approximately \$268.987 million.

The recommended Full-Time TAG Award Table in Attachment A focuses the additional \$35 million in full-time TAG funding on improving parity among the TAG award amounts provided to low- and moderate-income students at the State's two sectors of senior public higher education institutions (the State Colleges and Universities and the Public Research Universities). The first priority for this additional funding is to increase and standardize the TAG schedules for students at each level of financial need within these sectors, to reduce the inequities of the AY 2020-21 maximum TAG award amounts at certain public institutions that were lower than the TAG awards provided to equally needy students at other public institutions. Additional available funding will be used to increase the TAG award amounts for students at every other institution.

- Maximum award values for students at the State Colleges and Universities are proposed to be increased to \$8,700, not to exceed tuition, with proportional increases to the other award values in these institutions' TAG tables;
- Within the Public Research University sector, the award values for students at Montclair State University and Rowan University award values are proposed to be increased to equal the AY 2021-22 award values at Rutgers University;
- The AY 2021-22 award values at all other institutions not included in the schedule resets described above are proposed to be increased two percent (2%) across-the-board from their AY 2020-21 award values (county colleges, the College of New Jersey, New Jersey Institute of Technology, Rutgers University, and all non-public institutions).

Recommendation

It is recommended that the Board approve Resolution 11:21 Adopting Attachment A as the Full-Time Tuition Aid Grant Award Table for Academic Year 2021-2022.

Attachments

**STATE OF NEW JERSEY
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
FULL-TIME TUITION AID GRANT (TAG) AWARD TABLE FOR 2021-22¹**

New Jersey Eligibility Index (NJEI)	County Colleges² Award Average	State Colleges³ Award Values	Independent Non-Public⁴ Award Values	Public Research³ Award Values
Under 1500	\$2,840	\$8,700	\$13,196	\$10,044
1500-2499	2,472	7,692	11,188	8,908
2500-3499	2,142	6,512	9,840	7,932
3500-4499	1,670	5,394	8,814	6,840
4500-5499	1,244	4,470	7,784	5,964
5500-6499	0	3,490	6,766	5,086
6500-7499		2,540	5,742	4,266
7500-8499		0	4,710	3,380
8500-9499			3,724	2,328
9500-10499			2,114	0
Over 10499			0	

¹ Approximate annual TAG award values at higher education institutions licensed and approved for participation in the TAG Program as of September 1, 2009. In accordance with State law, the value of a student's grant depends on appropriated funds, actual tuition charges, cost of attendance, and the student's financial need as calculated by the New Jersey Eligibility Index.

² For county college sector, this table displays average award values across the 18 colleges in the sector. The award values for students at a given county college may be higher or lower, based on tuition charged by the institution.

³ For state college and public research sectors, this table displays standardized award values for the institutions in each sector. The award values for students at a given institution may not exceed tuition, but may be higher than these standardized values based on tuition charged by the institution.

⁴ Proprietary institution awards limited to approved programs of study at Berkeley College, DeVry University, Eastern International College and Eastwick College.

RESOLUTION 11:21

ADOPTING A FULL-TIME TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2021-22

Moved by: Dr. Brian Bridges
Seconded by: Ms. Beatrice Daggett

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

WHEREAS: Pursuant to a provision of P.L. 2021, c.133, HESAA is directed to adopt TAG award tables for Academic Year 2021-2022 based on the amounts to be expended on TAG in Academic Year 2021-2022, which are as follows: \$472.887 million for full-time TAG and \$558,000 for Part-Time TAG for EOF Students, for a total of \$473.445 million that shall be used to adopt a table of 2021-2022 TAG award amounts; and

WHEREAS: Language in the FY 2022 Appropriations Act stipulates the following:

- TAG awards shall be provided to all qualified applicants at levels set by the Higher Education Student Assistance Authority (HESAA).
- Participation in the TAG program is limited to institutions that previously participated in the program, or had applied in writing to HESAA to participate in the TAG program prior to September 1, 2009 and met all eligibility requirements prior to that date.
- Unexpended balances are reappropriated to the TAG account to be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time TAG awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs; and
- Such sums as are required to cover the costs of increases in the number of applicants qualifying for full-time TAG awards or to fund shifts in the distribution of awards that result in an increase in total program costs, subject to the approval of the Director of the Division of Budget and Accounting.

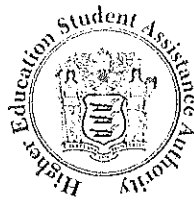
NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Full-Time TAG Award Table for AY 2021-2022 (Attachment A); and be it further

RESOLVED: That the attached Full-Time TAG Award Table for AY 2021-2022 pertains to New Jersey institutions that are licensed and were approved for participation in the State grant program as of September 1, 2009; and be it further

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

July 21, 2021



PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow *DJS*
Executive Director

FROM: Jean Hathaway *JH*
Director, Grants and Scholarships

SUBJECT: Resolution 12:21 Adopting a Part-Time Tuition Aid Grant for County College Students Award Table for Academic Year 2021-2022

DATE: July 21, 2021

Summary

Attached for your review, comment, and approval is Resolution 12:21, Adopting a Part-Time Tuition Aid Grant for County College Students Award Table for Academic Year (AY) 2021-2022. In accordance with the provisions of the Tuition Aid Grant program statute and pursuant to P.L. 2021, c. 133. This action will establish a table of Part-Time Tuition Aid Grant award values for the upcoming academic year.

Background

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

As provided in FY 2022 Appropriations Act, part-time awards shall be prorated against full-time awards within the limits of available appropriations as follows: eligible students enrolled for 6-8 credits per semester receive 50 percent of the value of a full-time award, while students enrolled for 9-11 credits per semester receive 75 percent of the full-time award value.

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

Available Funds and Projected Award Volume

As directed by P.L. 2021, c. 133, HESAA is to develop a table of award amounts for Part-Time TAG for County College Students prorated against full-time awards at the county college sector based on the FY 2022 appropriation of \$8.737 million.

Pursuant to FY 2022 budget language, unexpended balances from the account shall be available to fund unanticipated increases in the number of applicants qualifying for Part-Time TAG for County College Student awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs.

- The Part-Time TAG Award Table shown in Attachment A follows the same parameters used to construct the 2021-2022 Full-Time TAG award table, by prorating the Full-Time TAG awards by 50 percent or 75 percent. Depending upon the student's NJEI, this table will provide awards ranging from a maximum of \$710 to a minimum of \$311 per semester for eligible students enrolled for 6-8 credits, and from a maximum of \$1,065 to a minimum of \$466 for students enrolled for 9-11 credits.

Current projections indicate that the Part-Time TAG for County College Students Award Table shown in Attachment A fully accounts for all available funds for Academic Year 2021-2022.

Recommendation

It is recommended that the Board approve Resolution 12:21 Adopting Attachment A as the Part-Time Tuition Aid Grant (TAG) for County College Students Award Table for Academic Year 2021-2022.

Attachments

**PART-TIME TAG FOR COUNTY COLLEGES PROGRAM
FY 2022 Projection Model - July 2021**

NJEI	Est. #	Semester	Est. Cost	Est. #	Semester	Est. Cost of	Est. # of	Est.	Proj. Headcount
	of 1/2 Awards	1/2 Award Value	of 1/2 Awards	of 3/4 Awards	3/4 Award Value	of 3/4 Awards	All Awards	Total Cost	
0-1499	2,820	\$710	\$2,002,200	3,428	\$1,065	\$3,650,820	6,248	\$5,653,020	4,976
1500-2499	629	618	\$388,722	825	927	\$764,775	1,454	1,153,497	1,158
2500-3499	561	535	\$300,135	684	803	\$549,252	1,245	849,387	991
3500-4499	598	417	\$249,366	671	626	\$420,046	1,269	669,412	1,011
4500-5499	538	311	\$167,318	524	466	\$244,184	1,062	411,502	846
Total	5,146	\$604	\$3,107,741	6,132	\$918	\$5,629,077	11,278	\$8,736,818	8,982

FY2022 APPROPRIATION	8,737,000
FY2022 MODEL COST	<u>8,736,818</u>
UNEXPENDED BALANCE	182

RESOLUTION 12:21

**ADOPTING A PART-TIME TUITION AID GRANT
FOR COUNTY COLLEGE STUDENTS
AWARD TABLE FOR ACADEMIC YEAR 2021-2022**

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

WHEREAS: The Part-Time Tuition Aid Grant (TAG) for County College Students Program was established effective in Academic Year 2003-2004 to provide awards to financially needy county college students who enroll in 6-11 credits per semester; and

WHEREAS: Pursuant to a provision of P.L. 2021, c.133, HESAA is directed to adopt a Part-Time TAG for County College Students prorated against full-time awards at the county college sector based on the FY 2022 appropriation of \$8.737 million.

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

WHEREAS: The Part-Time TAG for County Colleges Award Table shown in Attachment A was constructed following the parameters used to develop the 2021-2022 Full-Time TAG Award Table with awards pro-rated by one-half and three-quarters; and

WHEREAS: Pursuant to FY 2022 budget language, unexpended balances from the account shall be available to fund unanticipated increases in the number of applicants qualifying for Part-Time TAG for County College Student awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs.

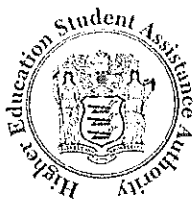
NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Part-Time Tuition Aid Grant for County College Students Award Table for Academic Year 2021-2022 (Attachment A); and be it further

RESOLVED: That the attached Part-Time TAG for County College Students Award Table for AY 2021-2022 pertains to New Jersey County Colleges established pursuant to N.J.S.A. 18A:64A-1 et. seq. (and their programs of study) that are licensed and approved for participation in the State grant program as of September 1, 2009; and be it further

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

July 21, 2021



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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow 
Executive Director

FROM: Jean M. Hathaway 
Director, Grants and Scholarships

SUBJECT: Resolution 13:21 Adopting Maximum Community College Opportunity Grant Awards for Academic Year 2021-2022

DATE: July 21, 2021

Summary

Attached for your review and approval is Resolution 13:21 Adopting Maximum Community College Opportunity Grant Awards for Academic Year 2021-2022. In accordance with the provisions of the Community College Opportunity Grant (CCOG) program statute and subject to the limits of the Fiscal Year (FY) 2022 Appropriations Act, this action will establish the maximum individual CCOG award amount for each county college.

On June 29, 2021, Governor Murphy signed the FY 2022 Appropriations Act, which includes an appropriation of \$27.0 million for CCOG.

Background

The State first offered CCOG awards to students in the spring 2019 semester pursuant to the FY 2019 Appropriation Act. On February 26, 2021, Governor Murphy ensured the future of the CCOG

Program by signing the CCOG Program Act, P.L. 2021, c. 26, into law. The goal of CCOG is to remove financial barriers to students' enrollment at one of New Jersey's 18 county colleges. The Higher Education Student Assistance Authority (HESAA) is charged by the statute with administering CCOG financial aid grants for eligible county college students whose adjusted gross income does not exceed \$65,000. CCOG awards are designed as "last-dollar" grants that cover the costs of tuition and approved educational fees that are not already covered by any other State, federal, and institutional need-based grants or merit scholarships. The CCOG Program Act requires HESAA to annually establish a maximum individual grant amount awarded under the program for each county college.

Award Amounts

The FY 2022 Appropriations Act includes funding of \$27.0 million for CCOG. The Table of Maximum CCOG Awards shown in Attachment A calculates the maximum individual annual grant award for students at each county college in Academic Year (AY) 2021-2022. These amounts are determined by:

- the tuition for 36 credit-hours of enrollment at each college in AY 2021-2022, not to exceed two percent more than the equivalent 2020-2021 tuition pursuant to the limit set in the FY 2022 Appropriations Act; plus
- \$3,000 towards approved educational fees.

Pursuant to P.L. 2021, c. 26, for students enrolled for at least six credits but less than 12 credits per semester in an associate's degree, certificate, or three plus one degree program, CCOG awards shall be pro-rated from the full-time approved tuition and approved educational fees based on the number of credits for which that student is enrolled. The Table of Maximum CCOG Awards shown in Attachment A provides maximum individual grant awards for full-time students in the academic year (fall 2021 and spring 2022 semesters combined). Maximum CCOG awards for part-time students for each county college will be calculated as follows:

- 50 percent of the value of a full-time award for eligible students enrolled for 6–8 credits per semester; and
- 75 percent of the full-time award value for students enrolled for 9–11 credits per semester.

Current projections indicate that the \$27.0 million appropriation will be sufficient to fund the Table of Maximum CCOG Awards shown in Attachment A.

Recommendation

It is recommended that the Board approve Resolution 13:21 Adopting Attachment as the Maximum Community College Opportunity Grant Awards for Academic Year 2021-2022.

Attachment

Community College Opportunity Grant (CCOG)

	2020-2021			2021-22			AY 2021-21 Maximum CCOG Award
	Prior Year Per Credit Tuition	Current Year Per Credit Tuition	Current Year Per Credit Tuition (Capped at 2% increase)	CCOG Maximum Covered Tuition	CCOG Maximum Covered Educational Fees		
Atlantic Cape Community College	\$ 146.10	\$ 146.10		\$ 5,258	\$ 3,000	\$ 8,258	
Bergen Community College	\$ 146.50	\$ 146.50		\$ 5,296	\$ 3,000	\$ 8,296	
Brookdale Community College	\$ 148.00	\$ 148.00		\$ 5,328	\$ 3,000	\$ 8,328	
Camden Community College	\$ 115.00	\$ 115.00		\$ 4,140	\$ 3,000	\$ 7,140	
County College of Morris	\$ 144.00	\$ 148.00	\$ 146.88	\$ 5,286	\$ 3,000	\$ 8,286	
Essex Community College	\$ 126.50	\$ 129.03		\$ 4,644	\$ 3,000	\$ 7,644	
Hudson County Community College	\$ 149.00	\$ 149.00		\$ 5,364	\$ 3,000	\$ 8,364	
Mercer County Community College	\$ 140.00	\$ 143.30	\$ 142.80	\$ 5,140	\$ 3,000	\$ 8,140	
Middlesex College	\$ 116.00	\$ 118.00		\$ 4,248	\$ 3,000	\$ 7,248	
Ocean County College	\$ 175.00	\$ 175.00		\$ 6,300	\$ 3,000	\$ 9,300	
Passaic County Community College	\$ 177.00	\$ 177.00		\$ 6,372	\$ 3,000	\$ 9,372	
Raritan Valley Community College	\$ 168.00	\$ 168.00		\$ 6,048	\$ 3,000	\$ 9,048	
Rowan College at Burlington	\$ 138.00	\$ 138.00		\$ 4,968	\$ 3,000	\$ 7,968	
Rowan College of South Jersey	\$ 108.00	\$ 111.00	\$ 110.16	\$ 3,964	\$ 3,000	\$ 6,964	
Salem Community College	\$ 185.00	\$ 190.00	\$ 188.70	\$ 6,792	\$ 3,000	\$ 9,792	
Sussex County Community College	\$ 140.00	\$ 140.00		\$ 5,040	\$ 3,000	\$ 8,040	
Union County College (Block Tuition)	\$ 214.00	\$ 214.00		\$ 5,280	\$ 3,000	\$ 8,280	
Warren County Community College	\$ 160.00	\$ 160.00		\$ 5,760	\$ 3,000	\$ 8,760	

RESOLUTION 13:21

ADOPTING MAXIMUM COMMUNITY COLLEGE OPPORTUNITY GRANT AWARDS FOR ACADEMIC YEAR 2021-2022

Moved by: Ms. Isabella Berdugo-Hernandez

Seconded by: Dr. Jon Larson

WHEREAS: Public Law 2021, chapter 26 (the “Community College Opportunity Grant Act”) requires the Higher Education Student Assistance Authority (HESAA) to annually establish a maximum individual grant amount awarded under the Community College Opportunity Grant (“CCOG”) program for each county college; and

WHEREAS: The FY 2022 line-item appropriation for CCOG is \$27.0 million; and

WHEREAS: The Table of Maximum CCOG Awards shown in Attachment A calculates the maximum individual annual grant award for each county college in Academic Year (AY) 2021-2022. These amounts are determined by:

- the tuition for 36 credit-hours of enrollment at each college in AY 2021-2022, not to exceed two percent above AY 2020-21 tuition; plus
- \$3,000 towards approved educational fees.; and

WHEREAS: Pursuant to P.L. 2021, c. 26, for students enrolled for at least six credits but less than 12 credits per semester, CCOG awards shall be pro-rated from the full-time approved tuition and approved educational fees based on the number of credits for which that student is enrolled; and

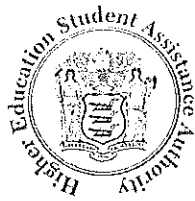
WHEREAS: Current projections indicate that the \$27.0 million appropriation will be sufficient to fund the Table of Maximum CCOG Awards shown in Attachment A.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Table of Maximum CCOG Awards (Attachment A); and be it further

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

July 21, 2021



PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

State of New Jersey
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

FROM: Board Budget Committee

SUBJECT: Resolution 14:21 Approval of HESAA's FY 2022 Administrative and Capital Budgets

DATE: July 21, 2021

As part of HESAA's annual budget process, and to ensure the Board's continued oversight of the programmatic and administrative activities of the Authority, staff presented the Fiscal Year 2022 (FY22) administrative and capital budgets to the Board Budget Committee for its review and approval. After meeting on July 1, 2021, the Budget Committee approved the budgets and is now recommending that the full Board approve these budgets through the attached resolution.

Background

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

Revenues

In FY 22 HESAA revenues and appropriated reserves will fully provide the resources required to pay for the expenditure and capital budgets outlined below. These revenues include amounts earned from the administration of the NJCLASS and NJBEST programs and equity releases from refinanced prior year bond issues.

As of January 1, 2020 HESAA ended its role as a Guaranty Agency and transferred its FFELP portfolio to the federally designated successor agency, the Kentucky Higher Education Assistance Authority (KHEAA). As shown in attached Schedule 1, the FY 22 budget no longer includes revenues earned under HESAA Guaranty Agency agreements with the federal government.

HESAA administrative revenues projected for FY 22 total \$31.1 million, which is a \$170,000 increase over FY 21 budget levels as detailed in attached Schedule I. The revenues are broken down as follows:

NJCLASS Program Administration – HESAA is anticipated to earn \$26.9 million for the origination and servicing of NJCLASS loans, a net decrease of \$650,000 from FY 2021 budget.

Under the NJCLASS loan program HESAA retains 1% of the 3% origination fee charged to borrowers with the other 2% deposited to the Student Loan Fund within the NJCLASS Bond Trust Estates to make additional loans during the origination and recycling period. HESAA earns servicing and administrative fees from the Bond Trust which are paid from the spread between the cost of capital and the loan rate. HESAA also retains revenue from a portion of the recovery of NJCLASS loans.

HESAA experienced lower demand for NJCLASS loans during the 2020-2021 academic year due to State and national pandemic mitigation policies which impacted enrollment at institutions of higher education.

Additionally, as part of the HESAA's pandemic mitigation response, the Authority expanded the criteria for financial hardship repayment relief to take into account the unique conditions of the pandemic on its borrowers. HESAA also took steps to protect borrowers' credit, and suspended collection activities such as wage garnishments and withholding of state income tax refunds to collect on past due loans, and instructed contracted collection attorneys not to pursue certain court actions against defaulted accounts.

While these necessary measures to protect borrowers during the pandemic impacted overall NJCLASS program revenues in FY 21, the Authority anticipates a return to historical volumes of loan originations and program revenues in the upcoming 2021-2022 academic year, as COVID-19 vaccine distribution becomes more widespread and institutions implement mitigation measures and social distances policies to ensure the safe return of on-campus student learning and living. HESAA expects newly originated loans for the 2021-2022 academic year to have higher average balances than in 2020-2021, as remote learning becomes less prevalent and more students require loan financing for costs of attendance other than tuition, such as campus-based food and housing.

Included in NJCLASS program revenues for FY 22:

- Carryforward of 2010-1 Series Bond Refunding Excess - As the Authority's 2020 bond deal was structured, HESAA realized excess funds from the refinancing of its 2010-1 bond series, and these funds were set aside in the FY 21 Budget for administrative, operating and programmatic expenses as well as to replenish equity contribution reserve funds for future bond deals.
 - HESAA anticipated at the time that its 2021 Bond Deal would need some amount of HESAA funds contributed as collateral to expand eligibility for participation in the RAP and HIARP payment relief programs to all Standard NJCLASS borrowers.

RESOLUTION 14:21

APPROVING HESAA's FY 2021 ADMINISTRATIVE AND CAPITAL BUDGETS

Moved by: Mr. Robert Shaughnessy

Seconded by: Ms. Beatrice Daggett

WHEREAS: As part of the Higher Education Student Assistance Authority's (HESAA) annual budget process, to ensure the Board's oversight of the programmatic and administrative activities of the Authority, staff presents the FY 2022 administrative and capital budgets to the Board for its review and approval; and

WHEREAS: On July 1, 2021 the Board's Budget Committee met with staff to review and approve the FY 2022 administrative and capital budgets for consideration by the full Board.

NOW THEREFORE, LET IT BE:

RESOLVED: That the Board hereby approves the FY 2022 administrative and capital budgets as advanced by the Board's Budget Committee and described in the attachment to this resolution.

July 21, 2021

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
Appropriated Administrative Revenues & Expenses FY 2020 - 2022
(\$ in 000's)

	FY 2020 Actual	FY 2021 Budget	FY 2021 Forecast	FY 2022 Budget	Inc/(Dec) FY 2022 Budget vs FY 2021 Budget	
					\$	%
<u>Federal Student Loan Program Administration:</u>						
Net Collections on Defaulted Loans	\$1,159	\$0	\$0	\$0	\$0	N/M
Rehabilitated Loans	1,537	0	0	0	0	N/M
Account Maintenance Fee	347	0	0	0	0	N/M
Default Aversion Fee	(16)	0	0	0	0	N/M
MOHELA	132	0	0	0	0	N/M
Interest Earnings	36	0	0	(0)	(0)	N/M
Secondary Market Admin Fees	82	0	0	0	0	N/M
Total Federal Student Loan Program	\$3,277	\$0	\$0	(\$0)	(\$0)	N/M
<u>NJCLASS:</u>						
Application Fees	\$1,738	\$1,754	\$1,305	\$1,430	(\$324)	-18.5%
Servicing Fees	5,323	5,193	4,856	4,437	(756)	-14.6%
Administrative Fees	4,337	4,226	4,723	4,302	76	1.8%
Net Collection Revenue	2,374	2,400	1,573	1,483	(917)	-38.2%
2010-1 FFELP Equity Release	178	0	0	0	0	N/M
Equity Distribution from Bond Refunding	16,292	0	9,299	0	0	N/M
FY 20-21 Carryforward ⁽¹⁾	(8,939)	8,939	8,939	0	(8,939)	-100.0%
FY 21-22 Carryforward ⁽¹⁾	0	0	(8,000)	8,000	8,000	N/M
Cash Receipts on HESAA Loans	9,397	4,735	8,166	6,968	2,233	47.2%
Post FFELP Servicing Agreement	150	300	300	300	0	0.0%
Interest Earnings	330	36	22	13	(23)	-64.0%
Total NJCLASS Program	\$31,179	\$27,583	\$31,183	\$26,933	(\$650)	-2.4%
<u>NJBEST:</u>						
Fee Income From Provider	\$4,874	\$5,173	\$5,888	\$6,025	\$851	16.5%
Interest Earnings	742	77	59	45	(32)	-41.1%
Scholarship Awards	(744)	(1,900)	(700)	(1,900)	0	0.0%
Total NJBEST Program	\$4,872	\$3,350	\$5,247	\$4,170	\$820	24.5%
Total All Funds	\$39,328	\$30,933	\$36,430	\$31,103	\$170	0.5%
<u>HESAA Program Administrative Expenditures:</u>						
Salary and Wages	\$9,840	\$10,543	\$9,514	\$11,479	\$936	8.9%
Employee Benefits	4,485	4,865	5,066	6,113	1,247	25.6%
Materials/Supplies	399	436	261	397	(39)	-9.0%
Services Other Than Personnel	9,519	9,390	8,016	9,195	(195)	-2.1%
Maintenance and Fixed Charges	1,167	1,218	1,122	1,259	41	3.4%
Special Purpose/Indirect Cost	23	0	19	125	125	N/M
Bond Transaction & Trustee Costs	3,248	3,280	1,607	2,307	(973)	-29.7%
Equity Contribution & Loan Program Collateralization	0	1,200	0	0	(1,200)	-100.0%
NJ College Affordability Act Implementation	0	0	0	228	228	N/M
Total Program Expenditures	\$28,682	\$30,933	\$25,606	\$31,103	\$170	0.5%
Net Earnings/(Loss)	\$10,646	\$0	\$10,824	\$0	\$0	

(1) Carryforward: proceeds from the Equity Distribution from Bond Refunding will be used to fund the following year Operating Budget.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
CAPITAL FUND
FY 2021 and FY 2022
(\$ in 000's)

	FY 2021 Budget	FY 2021 Forecast	FY 2022 Budget
Telephone Systems	40	-	82
Technology Infrastructure	330	257	614
Desktop Replacement	110	117	160
Security Compliance	220	185	100
Technology Equipment Replacement	100	-	120
Customer Authentication Software	25	73	485
Data Storage and Back-up	280	-	210
Grant System Development	60	40	60
E-Mail and Text	104	65	124
Network Infrastructure	30	11	93
Physical Security	53	-	68
Data Center Flooring/Generator	285	53	425
Customer Database Management Tools	-	-	10
Construction	20	2	20
HESAA Loan Servicing Platform Replacement Project	500	500	-
Total Capital Spend ⁽¹⁾	\$2,157	\$1,302	\$2,571

(1) Total FY22 capital spend of \$2.571 million will be funded through current cash reserves. The capital carryover from FY21 is \$0.855 million.



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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director *DJS*

FROM: David Moffett
Assistant Controller *DM/ST*

SUBJECT: Resolution 15:21 Appointing a Program Manager for the Pay It Forward Program

DATE: July 21, 2021

Introduction

Last month, Governor Murphy and the New Jersey CEO Council announced the launch of a new initiative, the New Jersey Pay It Forward Program. This innovative program will provide interest- and fee-free loans from a revolving fund to support low-income New Jersey career seekers participating in approved training programs. New Jersey is the first state in the country to dedicate public resources to a fund of this nature.

The Higher Education Student Assistance Authority (HESAA) worked with the Governor's office and an interagency team from the Division of Consumer Affairs (DCA), the Department of Banking and Insurance (DOBI), the Department of Labor and Workforce Development (DOL), the Economic Development Authority (EDA), and the Office of the Secretary of Higher Education (OSHE) to develop the program and draft a Request for Proposals (RFP) for a Program Manager to establish and administer the Pay it Forward Fund to be seeded with grants from the State and outside donors.

Background

On June 4, 2021 HESAA issued an RFP seeking proposals from organizations interested in serving as Program Manager to help develop and implement the Pay It Forward

Program. The RFP specified that the Program Manager’s duties will include: creating and administering the Pay It Forward Fund that will finance the Program; designating the selected training providers; recruiting the participants; administering the stipends and wraparound services; and administering the Pay It Forward loans. The RFP requires the Pay It Forward loans to be designed with strong student-centric provisions, including an income-based repayment model that calculates affordable monthly payments as a percentage of participants’ discretionary income and requires no payments when participants’ post-training income falls below a certain threshold, enabling trainees to support their families without incurring unmanageable debt. If the loan is not fully repaid five years after the participant completes the training program, the remaining balance will be forgiven.

HESAA issued the RFP by sending it to eight organizations with experience in similar endeavors, posting it on HESAA’s website, and advertising it in the state’s NJ Advance Media and Gannett newspapers.

HESAA received one joint proposal from Social Finance as the prime contractor and a proposed subcontract with MOHELA to administer the loan originations and servicing component of the program.

Selection Process

An evaluation committee made up of representatives from HESAA, DCA, DOBI, DOL, EDA, and OSHE reviewed the proposal from Social Finance and MOHELA using the following selection criteria:

<p>Program Narrative:</p> <ul style="list-style-type: none"> ▪ Addresses all narrative summary items ▪ Ability to administer a student loan program ▪ Strategy to track recruitment, enrollment, and outcomes for Participants ▪ Proposes compelling approach for promoting diversity throughout the project
<p>Bidder Requirements:</p> <ul style="list-style-type: none"> ▪ Organizational commitment and capacity describes past experience ▪ Adequacy of management information system ▪ Adequacy of loan originations and servicing system
<p>Budget Summary and Budget Narrative:</p> <ul style="list-style-type: none"> ▪ Budget is reasonable and demonstrates strong fiscal stewardship of program resources ▪ Narrative provides a reasonable external source to fund administration of Pay It Forward ▪ No calculation errors

Based on their review and these criteria, the evaluation committee found that Social Finance’s proposal is clear and comprehensive. The proposal demonstrates Social

Finance's strong security protocols, innovative project planning and implementation abilities, and flexibility to create the program that best meets New Jersey's needs. Social Finance affirmed their understanding that the administrative costs for this program will not come from State funding, as well as their understanding as to the extent of the administrative costs to administer Pay It Forward. The proposal lays out a reasonable budget, as well as a reasonable timeline to have the program running in approximately six months. Further, the proposal details the accounting process for reporting payments as well as Social Finance's comprehensive reporting processes, including an example of a reporting dashboard they will develop for Pay It Forward.

The proposal also describes a number of state-level programs Social Finance has developed in other states. In doing so, Social Finance demonstrates their track record in building out models for programs that did not previously exist. The proposal shows their ability to take an innovative design concept to reality and navigate the needs of all of the stakeholders. While Social Finance's previous experience is mostly with creating Income Share Agreement programs, from which the Pay It Forward initiative differs in significant respects, their proposal establishes Social Finance's ability and willingness to adapt and improve upon previous models to create New Jersey's Pay It Forward Program.

Social Finance will be contracting with MOHELA to originate, service, and hold the Pay It Forward Loans. The evaluation committee agreed that this streamlined approach of using one lender to serve all three functions will aid in the State's oversight of the program. As an experienced originator, servicer, and holder of student loans, MOHELA has the infrastructure and security necessary to administer the Pay It Forward Loans. While the evaluation committee expressed some concerns with MOHELA's past customer service practices as a student loan servicer, they agreed that the accountability measures built into Pay It Forward will ensure that MOHELA meets New Jersey's robust standards and effectively implements the strong student-centric program design criteria of the zero-interest, zero-fee Pay It Forward loans specified in the RFP.

Recommendation

As Social Finance meets the necessary requirements, it is recommended that the Board approve the attached Resolution 15:21 approving the appointment of Social Finance as the Program Manager for the Pay It Forward Program to originate Pay It Forward Loans for five (5) years, with an option to extend the origination period for up to two (2) successive terms of five (5) years, at the discretion of the State Agencies. The term of the Contract will extend until all Pay It Forward Loans issued during each five-year origination period have been paid in full or forgiven.

Attachments

RESOLUTION 15:21
APPOINTING PROGRAM MANAGER FOR THE PAY IT FORWARD PROGRAM

Moved by: Mr. Thyquel Halley
Seconded by: Dr. Brian Bridges

WHEREAS: The Higher Education Student Assistance Authority (HESAA), in conjunction with the Governor's office and an interagency team consisting of the Division of Consumer Affairs (DCA), the Department of Banking and Insurance (DOBI), the Department of Labor and Workforce Development (DOL), the Economic Development Authority (EDA), and the Office of the Secretary of Higher Education (OSHE), wishes to engage a Program Manager to establish and administer the Pay it Forward Fund, which will be seeded with grants from the State and outside donors; and

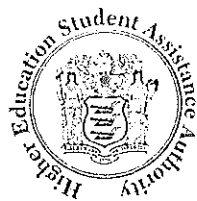
WHEREAS: On June 4, 2021 HESAA issued a Request for Proposals (RFP) for a Program Manager for the Pay It Forward Program by sending the RFP to eight organizations with experience in similar endeavors, posting it on HESAA's website, and advertising it in the state's NJ Advance Media and Gannett newspapers.; and

WHEREAS: An evaluation committee consisting of representatives from HESAA, DCA, DOBI, DOL, EDA, and OSHE reviewed the one proposal submitted in response to the RFP by Social Finance as the prime contractor, including Social Finance's proposal to engage MOHELA as a subcontractor to administer the loan originations and servicing component of the program.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the appointment of Social Finance as the Program Manager for the Pay It Forward Program to originate Pay It Forward Loans for five (5) years, with an option to extend the origination period for up to two (2) successive terms of five (5) years, at the discretion of the State Agencies. The term of the Contract will extend until all Pay It Forward Loans issued during each five-year origination period have been paid in full or forgiven.

July 21, 2021



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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director *DJS*

FROM: Marnie B. Grodman, Esq. *MBS*
Director, Legal & Governmental Affairs
Administrative Practice Officer

SUBJECT: Resolution 16:21 Special Adoption and Concurrent Proposal of Regulations
Governing the NJBEST Matching Grant Program

DATE: July 21, 2021

The Higher Education Student Assistance Authority (Authority) is statutorily responsible for the administration of the State's higher education savings program, the New Jersey Better Educational Savings Trust (NJBEST) Program, and for the promulgation of all rules to that effect, pursuant to N.J.S.A. 18A:71B-35 et seq. NJBEST is administered in accordance with section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529.

Through the NJBEST Program, money saved by parents, grandparents, or others is invested for a designated beneficiary. When the designated beneficiary is ready to attend a postsecondary education institution, the principal and interest earned can be used for costs of attendance. The NJBEST program offers favorable federal and State income tax treatment of funds that are withdrawn from an NJBEST account and used to pay for certain education expenses, such as tuition, defined as a "qualified distribution" under 26 U.S.C. § 529 and N.J.S.A. 54A:6-25(3).

On June 29, 2021, Governor Murphy signed P.L. 2021, c. 128, which was effective immediately. Section 2.a. of this law established a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to a NJBEST account when the account is initially opened by a taxpayer with gross income of \$75,000 or less.

Section 2.b. of P.L. 2021, c. 128 authorizes the Authority to immediately adopt upon filing with the Office of Administrative Law, rules necessary for the “appropriate administration and implementation of the provisions of this section, including, a minimum length of time for participation in the NJBEST program in order to maintain eligibility for the credit established pursuant to this section, which rules shall be effective for a period not to exceed 360 days from the date of the filing.”

The special adopted and concurrent proposed new rules govern the policy, administration and procedures of the NJBEST Matching Program and are summarized below:

N.J.A.C. 9A:10-7.22(a) establishes the parameters for the matching grant program that the Authority will offer as part of the NJBEST 529 College Savings Plan. As P.L. 2021, c. 128 was effective immediately upon execution on June 29, 2021, this section establishes that the NJBEST Matching Grant Program is available for accounts opened on or after June 29, 2021. Additionally, pursuant to P.L. 2021, c. 128, the rule establishes that account owners are eligible for a one-time grant of up to \$750, in a dollar-for-dollar match of their initial deposit to their NJBEST account. This means that if an account owner’s initial deposit is \$500 the match will be \$500, if the initial deposit is \$750 the match will be \$750 and if the initial deposit is \$1000 the match will be \$750.

N.J.A.C. 9A:10-7.22(a)1. provides that the matching grant program is available to account owners with adjusted gross income that does not exceed \$75,000.

Section 2.b. of P.L. 2021, c. 128 authorizes the Authority to set a minimum length of time that the account owner must participate in the NJBEST program in order to maintain eligibility for the credit established pursuant to this section. To discourage contributors from closing the account soon after they have received the matching grant, N.J.A.C. 9A:10-7.22(a)2. requires that the NJBEST 529 College Savings Plan account remains open and maintains up to \$750 of the initial contribution, for a minimum of three years following the initial contribution into the contributor’s account, or the matching grant funds will be forfeited back to the Authority.

N.J.A.C. 9A:10-7.22(a)3, provides that the NJBEST matching grants are subject to the availability of funds, either through appropriation or through administrative fees, as determined annually by the Authority Board. The rule further specifies that administrative fees cannot be increased to fund the NJBEST matching grants.

As P.L. 2021, c. 128 specifies that this is intended to be a one-time grant, N.J.A.C. 9A:10-7.22(b) limits the matching grants to no more than one account per beneficiary.

N.J.A.C. 9A:10-7.22(c) establishes the procedures to apply for the matching grant. In order to determine that the account owner’s adjusted gross income does not exceed \$75,000, this rule requires applicants to submit their Internal Revenue Service tax return transcripts for the year prior to the application year. Further, the rule provides alternative documentation that applicants who are not required to file tax returns can submit. To ensure that the matching grants can be deposited into participants’ accounts as early as possible to earn the maximum return, the rule requires account holders to apply for the grant within one year of making their initial deposit.

N.J.A.C. 9A:10-7.22(c)1. sets forth the procedure for selecting participants if applications exceed available funds. To ensure that the matching grants can be deposited into participants' accounts as early as possible to earn the maximum return, in the event there are insufficient funds available to match the contributions of all applicants, the Authority will select participants for the matching grant program by order of when the application was received.

N.J.A.C. 9A:10-7.22(d) establishes the procedure the Authority will follow for disbursing the matching grants. In order to ensure that the account holders maintain their NJBEST accounts for three years, while also ensuring that account owners receive any interest earned on the matching grants over those three years, the Investment Manager will deposit the matching grant into an escrow account. If the account owner maintains their account for three years, then the matching grant balance and any earned interest will be transferred from the escrow account to the account holder's account.

To ensure New Jersey government resources are being spent on New Jersey residents, N.J.A.C. 9A:10-22(e) requires account owners to be New Jersey residents in order to be eligible for the matching grant.

Full text of the new rules being specially adopted and concurrently proposed follow
:

SUBCHAPTER 7. POLICY GOVERNING NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST (NJBEST) PROGRAM

§ 9A:10-7.22 Eligibility for NJBEST Matching Grant Program

(a) For accounts opened on or after June 29, 2021, the Authority will provide a one-time grant of up to \$750 in a dollar-for-dollar match of an account owner's initial deposit into a NJBEST 529 College Savings Plan account provided:

- 1. The account owner's household adjusted gross income does not exceed \$75,000;**
- 2. The NJBEST 529 College Savings Plan account remains open and maintains up to \$750 of the initial contribution for a minimum of three years following initial contribution into the contributor's account, or the matching grant funds will be forfeited back to the Authority; and**
- 3. Sufficient funds are available to finance the matching grants from direct State appropriations to the Authority or from NJBEST administrative fees, the availability of which shall be determined annually by the Authority Board. The amount of the administrative fees shall not be increased to fund the matching grants.**

(b) The Authority will match contributions into no more than one account per beneficiary.

(c) To receive matching grants from the Authority, account owners must apply online on the Authority's website within one year of opening their NJBEST Account and must submit their

Internal Revenue Service tax return transcripts for the year prior to the application year to verify income. If no tax returns were filed for the year requested, account owners may provide the Authority with documented proof, received through a Federal or State agency, of taxable and/or untaxed income, including, but not limited to, an IRS tax and wage transcript, receipt of unemployment insurance benefit payments, child support, alimony, welfare payments, Social Security benefits, SSI, or one benefit from any of the following Federal programs: SNAP, TANF, WIC or housing assistance.

1. In the event there are insufficient funds available to match the contributions of all applicants, the Authority will select participants for the matching grant program by order of when the application was received.

(d) Within 60 days of approving an account owner's application, the Authority will provide the NJBEST Investment Manager with the matching NJBEST Grant. The Investment Manager will deposit those funds into an escrow account. After three years if the account holder meets the requirements of section (a)2 above, then the matching grant balance and any earned interest will be transferred from the escrow account to the account holder's account.

(e) To be eligible for the matching grant program, the account owner must be a New Jersey resident.

Recommendation

It is recommended that the Board approve Resolution 16:21 Special Adoption and Concurrent Proposal of Regulations Governing the NJBEST Matching Grant Program.

Attachment

RESOLUTION 16:21

SPECIAL ADOPTION AND CONCURRENT PROPOSAL OF REGULATIONS GOVERNING THE NJBEST MATCHING GRANT PROGRAM

Moved by: Ms. Jean McDonald Rash

Seconded by: Ms. Beatrice Daggett

WHEREAS: The Higher Education Student Assistance Authority (Authority) is statutorily responsible for the administration of the State's higher education savings program, the New Jersey Better Educational Savings Trust (NJBEST) Program, and for the promulgation of all rules to that effect, pursuant to N.J.S.A. 18A:71B-35 et seq. NJBEST is administered in accordance with section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529; and

WHEREAS: Through the NJBEST Program, money saved by parents, grandparents, or others is invested for a designated beneficiary. When the designated beneficiary is ready to attend a postsecondary education institution, the principal and interest earned can be used for costs of attendance. The NJBEST program offers favorable federal and State income tax treatment of funds that are withdrawn from an NJBEST account and used to pay for certain education expenses defined as a "qualified distribution" under 26 U.S.C. § 529 and N.J.S.A. 54A:6-25(3); and

WHEREAS: On June 29, 2021, Governor Murphy signed P.L. 2021, c. 128, section 2.a. of which established a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to a NJBEST account when the account is initially opened by a taxpayer with gross income of \$75,000 or less; and

WHEREAS: Section 2.b. of P.L. 2021, c. 128 authorizes the Authority to immediately adopt upon filing with the Office of Administrative Law, rules necessary for the "appropriate administration and implementation of the provisions of this section, including, a minimum length of time for participation in the NJBEST program in order to maintain eligibility for the credit established pursuant to this section, which rules shall be effective for a period not to exceed 360 days from the date of the filing."

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves and authorizes the Special Adoption and Concurrent Proposal of Regulations Governing the NJBEST Matching Grant Program.

July 21, 2021