The Higher Education Student Assistance Authority (HESAA) Board held a remote teleconference meeting on January 17, 2024 at 10:00 am via Zoom. Forty-eight people logged into the meeting.

PRESENT: HESAA Board Members: Dr. Brian Bridges, Secretary of Higher Education; Ms. Beatrice Daggett; Ms. Jean McDonald Rash; Ms. Shernelle Pringle; Mr. Scott Salmon; Mr. David Socolow; Mr. Robert Tighue, Treasurer’s Designee; Dr. Nelson Turcios; Ms. Christy Van Horn, Chair; and Mr. Byron Ward.

ABSENT: Ms. Alya Nassrallah; Ms. Ivona Szaro

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:02 am. 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, Leslie Flanagan-Bryant would conduct a roll call for the resolutions.

Ms. Van Horn welcomed Michael Lombardi, Deputy Attorney General from the New Jersey Division of Law, and Alexis Franklin, Associate Counsel from the Governor’s Authorities Unit.

Ms. Van Horn asked Leslie Flanagan-Bryant to call the roll.

CONSIDERATION OF THE MINUTES OF THE OCTOBER 25, 2023 MEETING

A motion to approve the minutes of the October 25, 2023 meeting was made by Scott Salmon and seconded by Dr. Nelson Turcios. The minutes were approved unanimously with two abstentions, Ms. Beatrice Daggett and Mr. Scott Salmon, who were not present at the October meeting.

RESOLUTION 01:24 APPOINTING A NJBEST INVESTMENT MANAGER

Cayla Sekuler presented Resolution 01:24 to the Board.

Good morning, members of the Board. Thank you for the opportunity to discuss Resolution 01:24. With your approval, this Resolution will authorize the reappointment of Franklin Templeton as the NJBEST Investment Manager.
In 2002, the Higher Education Student Assistance Authority (HESAA) issued a Request for Proposals (RFP) for a vendor to provide a set of comprehensive services to the NJBEST program. As a result of that RFP, HESAA entered into an agreement with Franklin Templeton in January 2003 to provide these services. Upon issuance of a subsequent RFP, HESAA extended its agreement with Franklin Templeton in 2014. The agreement with Franklin Templeton is scheduled to expire in April of 2024.

Under the current contract, Franklin Templeton provides investment management services, custodial banking services, account establishment, fund and participant accounting, program reporting, and customer service. Franklin Templeton also provides robust nationwide advertising and promotion services for the program.

On October 30, 2023, HESAA issued an RFP seeking proposals from qualified bidders to provide comprehensive services to the NJBEST Program. Following procurement procedures, HESAA issued the RFP by sending it to nine (9) potential bidders, posting it on HESAA’s website, and advertising it in the State’s NJ Advance Media and Gannett newspapers.

HESAA received two (2) proposals: one (1) from Franklin Templeton and one (1) from Vestwell.

An evaluation committee comprised of the Deputy Director and Deputy Chief Information Officer for the N.J. Treasury’s Division of Investments, Lisa Walker, who is joining today’s meeting online; HESAA’s Chief Financial Officer, Jerry Traino; myself, HESAA’s Deputy Chief of Staff; as well as a representative from HESAA’s NJBEST Investment Consultant, Meketa, Kay Cesaran, who is also here for today’s meeting, reviewed and scored the proposals based on the relevant experience of the contractor and staff assigned to HESAA, the quality of the RFP, the ability to meet the needs of HESAA, and the fees and costs proposed by the bidder.

Based on the scoring of the proposals, the evaluation committee recommends re-appointing Franklin Templeton, HESAA’s current NJBEST Investment Manager.

The committee determined that Franklin Templeton meets all of the needs outlined in the RFP and demonstrated their vast experience in investment management. The committee noted that Franklin Templeton has a wide breadth of resources to draw on, including a large staff in all asset classes to research investments. Franklin Templeton’s proposal includes a fee reduction and inclusion of Year-of-Enrollment options. Additionally, Franklin Templeton proposes outsourcing its record-keeping to Ascensus, which is a prominent provider of financial record-keeping services. The committee noted that Franklin Templeton’s marketing proposal is robust and outlines how it will market college savings options to lower-income families to take advantage of the matching grant program. For those reasons, the committee selected Franklin Templeton to continue working on this program.

We look forward to our continued relationship with Franklin Templeton.

A motion to approve Resolution 01:24 was made by Beatrice Daggett and seconded by Jean McDonald Rash.

The motion passed unanimously.
RESOLUTION 02:24 APPROVING THE READAPTION WITH AMENDMENTS OF REGULATIONS GOVERNING STUDENT LOANS, COLLEGE SAVINGS PROGRAMS, AND LOAN REDEMPTION PROGRAMS

Jennifer Martin presented Resolution 02:24 to the Board.

Good morning. Thank you for the opportunity to present Resolution 02:24 Approving the Readoption with Amendments of N.J.A.C. 9A:10, Regulations Governing the State’s Student Loan Programs, College Savings Programs, and Loan Redemption Programs.

As you may remember, the rules governing these programs were scheduled to expire October 26, 2023. At its July 26, 2023 meeting, the Board approved the proposed Readoption with Amendments, thereby extending the expiration date to April 23, 2024.

The proposed Readoption with Amendments, PRN 2023-102, was published in the October 16, 2023 New Jersey Register and publicized throughout the State.

During the comment period the Authority received public comments from nine current and/or former Licensed Marriage and Family Therapists (LMFT) and Licensed Associate Marriage and Family Therapists (LAMFT). As summarized in detail in the materials, the commenters requested that LMFTs and LAMFTs be eligible to participate in the Behavioral Healthcare Provider Loan Redemption Program.

HESAA appreciates these comments and agrees that LMFTs and LAMFTs provide critical services to New Jersey residents. However, as explained in the materials provided to the Board, the Authority should adopt the regulations as proposed.

While the Legislature granted HESAA’s Executive Director the discretion to identify additional fields for program inclusion, the Fiscal Year 2024 appropriation will fund less than 2.5% of the providers who applied for the Program this year. Therefore, when determining whether to identify fields beyond the ones the Legislature designated as necessary to address the most severe shortages of behavioral healthcare providers, the onus shifts to the members of an unlisted behavioral healthcare occupation to demonstrate to the Executive Director that there is a shortage of providers in their specific field. In this instance, the commenters have not provided any analysis of authoritative labor market data as evidence of a more severe workforce shortage that would justify adding a financial incentive for marriage and family therapists to serve as community providers of behavioral healthcare. To the contrary, Industry and Occupation Employment Projections published by the New Jersey Department of Labor and Workforce Development show that marriage and family therapy is a stable occupation.

HESAA did not receive any other comments on the proposed readoption.

A copy of the proposal, as published in the New Jersey Register, is included in the Board’s materials. Upon the Board’s approval, the adoption notice will be published in the March 4, 2024 New Jersey Register. The readoption will be effective upon submission of the rules to the New Jersey Office of Administrative Law and the amendments will become effective on March 4, 2024.
A motion to approve Resolution 02:24 was made by Dr. Brian Bridges and seconded by Dr. Nelson Turcios.

The motion passed unanimously.

**RESOLUTION 03:24 APPROVING THE TRANSFER OF FY24 OPERATIONAL FUNDS TO FINANCE A STATE-WIDE COLLEGE AFFORDABILITY IN NEW JERSEY MARKETING CAMPAIGN**

Jennifer Azzarano presented Resolution 03:24 to the Board.

Good morning. Thank you for this opportunity to present Resolution 03:24, approving the transfer of fiscal year 2024 operational funds to help finance a statewide awareness campaign on the value and affordability of a college degree in New Jersey.

The Higher Education Student Assistance Authority (HESAA) and the Office of the Secretary of Higher Education (OSHE) are partnering to engage in a joint marketing campaign to build statewide awareness of the value of a postsecondary degree and to highlight that a college degree is affordable for more families than ever before in New Jersey.

Through this campaign HESAA and OSHE will highlight that New Jersey offers a wide range of opportunities that make college accessible and affordable. The goal of this campaign is to amplify a clear message that a postsecondary degree is valuable. The campaign will raise awareness of the benefits of enrolling at a New Jersey college to reap future life and career opportunities, at a net price that is manageable with State assistance in paying for tuition and fees.

HESAA proposes to contribute $300,000 from the Authority’s available Fiscal Year 2024 (FY24) operational resources. This amount will supplement federal American Rescue Plan funding allocated in FY24 to pay for central advertising of State programs and services, in addition to funding from OSHE.

Unexpended balances in HESAA’s FY24 operational budget line items for salary and benefits can be re-purposed to cover the Authority’s contribution to this awareness campaign. The unexpended balances are due to the timing of the on-boarding of new hires midway through FY24, for which HESAA originally budgeted a full year of salary and benefits.

It is recommended that the Board approve Resolution 03:24 approving the transfer of $300,000 within the Authority’s FY24 operational budget, to finance a statewide awareness campaign on the value and affordability of a college degree in New Jersey.

A motion to approve Resolution 03:24 was made by Jean Rash and seconded by Shernelle Pringle.

The motion passed unanimously with one abstention by Dr. Brian Bridges, who abstained because OSHE is working with HESAA on this awareness campaign.
Greg Foster presented the following report to the Board:

It is my pleasure today to start my compliance report to the Board by highlighting three monumental achievements over the past year that have continued to address HESAA’s main weaknesses from a compliance and risk exposure perspective.

As I have reported to you many times in the past, staffing issues and succession planning were previously identified as weaknesses in multiple areas at HESAA. Several reasons contributed to this deficiency including: the state-wide hiring freeze, the lack of qualified employees available to assume key roles at HESAA, barriers to cross training in critical business areas, the large share of staff at or near retirement age, and the upward trend of annual retirements.

I am happy to report that HESAA, with help from the Board, has built upon recent hiring initiatives by recruiting and hiring significantly more employees this past year and improving organizational structures to improve the efficiency of the Authority’s staff. In addition to hiring 21 permanent employees in 2023, HESAA also promoted several current employees, continuing the Authority’s crucial rebuilding effort, replacing staff lost to attrition, and adding new and necessary functions to the Compliance, Customer Care Solutions, Customer Contact Center, Finance, Grants & Scholarships, Human Resources, Information Services, Information Technology, Loan Originations, and Outreach & Communications teams. These organization changes have built new capacity, channeling HESAA's resources and expertise to improve support for students and families in all aspects of the college financial aid process while building on the Authority's existing energy and knowledge. The current headcount at HESAA is 154 employees, with additional postings for open positions to be filled in the near future. The Board plays a key role in this process through the Budget approval process that enables the Authority to continue to hire additional new employees as needed to fill critical vacancies.

Second, I am proud to announce that we created a Quality Assurance (QA) team to continuously improve the customer service delivered by our Customer Contact Center. This new unit was created in February of last year and on June 1st began monitoring the performance quality of HESAA staff who interact one-on-one with existing and potential customers. The QA team monitors inbound and outbound calls of all call center representatives for both NJCLASS loans and Grants to assess technical accuracy, customer service performance, and compliance with HESAA’s policies and procedures. Assessments of call quality are used by both the Compliance team and Customer Contact Center supervisors to identify areas of improvement for individual staff as well as the team as a whole. Through this feedback loop, HESAA is improving call center quality processes, consistency, and procedures, as well as making recommendations for enhancements to training materials as needed to advance the overall customer experience. Over the last eight months, HESAA has already achieved numerous positive results such as decreased call time, less call backs, better customer service, and even fewer Consumer Financial Protection Bureau (CFPB) complaints (which were already at minimal levels).

In addition to this expansion of the Compliance unit to encompass the Quality Assurance team, we are also hiring an additional member of the program review team to augment existing audit
functions and support new initiatives such as the Garden State Guarantee program and the financial aid award letter review process.

With the Board’s support and approval, HESAA began rolling out our new NJCLASS loan servicing system, the Collections, Loan Accounting and Servicing System (CLASS). Starting last October, on a weekly basis we have gradually loaded small batches of NJCLASS loans into the new system. Currently, there are approximately 8,000 loans loaded into the CLASS system and staff are actively working on those accounts within the system. More loans are added nearly every week.

Finally, technology and security are foundational areas to monitor for the Authority’s success and risk mitigation. The new CLASS servicing platform also enables HESAA to address the other major weakness that the Compliance team has historically cited as a potential risk for HESAA: the aging mainframe computer system that supports mission-critical transactions, including loan servicing, portions of loanoriginations, and accounting. Due to the obsolescence of the mainframe, it has limited capacity to efficiently adjust to meet emerging needs and changes that are required by modern technology or expanded customer options such as streamlined credit reporting or the RAP and HIARP repayment programs. As NJCLASS loans migrate off the mainframe and into the new CLASS platform, HESAA will also transition other programs to enable the mainframe system to be decommissioned.

At this time, I would like to take a moment to thank all the members of the Board for setting the proper compliance tone at the top of the organization. More specifically, I want to acknowledge the Board for their role in supporting the compliance function of the Authority and my personal role as Chief Compliance Officer, by enabling the major accomplishments recently to address the key weaknesses and risks I identified. The Board plays a key role in establishing safeguards that flow up and down the Authority which promote compliance participation and excellence at all operational levels.

The Board also has a valuable compliance function in its approval and oversight of expenditures for significant, mission-critical infrastructure. For instance, the new servicing system and back-up power generator significantly reduce risk. Annually, the Board works with our outside auditor, CLA, approves the selection of vendors after a procurement process, works with Finance and outside bond counsel to authorize complex bond transactions, reviews new regulations, and conducts other required ethics activities. As a result of the Board’s compliance activities, HESAA routinely receives high marks as evidenced by clean audit reports, exemplary responses from credit rating agencies, and the absence of major regulatory inquiries or fines, significant lawsuits, security breaches, CFPB complaints, or ethics violations.

Perhaps the single most important element of the compliance program is an open, active and transparent line of communication between my office and all HESAA staff members, as well as the Board. It pleases me to have such a strong informational reporting relationship between the executive staff and the Board members which effectively acts as another layer of compliance protection. Through periodic reports to the Board from the Finance, Compliance, and Program Review units, as well as from the Executive Director, the open channels of communication and reporting allow the Board members to protect and strengthen the Authority’s overall compliance, reputation, fiscal integrity and ability to provide critical support and services. The Board’s
involvement is critical to compliance success and plays an important role in the sustainable effectiveness of the Authority’s mission to help New Jersey students and families achieve their higher education goals.

Chairwoman Van Horn commented that she agrees that compliance start at the top. Leadership, transparency, and commitment to reducing risk ensure that the systems work properly. Chairwoman Van Horn commended the movement from the mainframe as this move will enhance the security of all of the transactions and will benefit HESAA’s student borrowers. Chairwoman Van Horn also commented on the enhancements to the QA team. She stated that the QA’s teams to monitoring the calls will ensure both customer satisfaction and that the staff is functioning properly. Chairwoman Van Horn expressed her satisfaction with the steps HESAA has been taking with regards to compliance, stating that these are significant activities that set HESAA up for success.

EXECUTIVE DIRECTOR’S REPORT

Thank you Chairwoman Van Horn and members of the Board, and happy New Year to all. I appreciate this opportunity to share some information overall about New Jersey’s efforts to provide financial aid that fosters student access to, and success in, postsecondary education and career preparation.

**FAFSA Processing Delay**

First, I must share our ongoing concerns about the federal implementation of the Academic Year 2024-2025 Free Application for Federal Student Aid (FAFSA), which students were first able to access on December 31, 2023. The U.S. Education Department’s “soft launch,” already delayed three months from the customary October 1st FAFSA start date, continues to pose significant challenges for students and families, as well as the financial aid professionals at higher education institutions and State agencies.

The FAFSA’s comprehensive overhaul is mandated by two federal laws, the FUTURE Act of 2019 and the FAFSA Simplification Act of 2020, and will bring key benefits including a quicker application process as well as a reformed federal needs analysis formula that will provide additional federal student aid dollars to thousands of New Jersey students in 2024-2025. However, the new eligibility rules will also reduce federal student aid next year for some families, including those with multiple students enrolled in college simultaneously. New Jersey declined to emulate this federal policy, so our State’s student aid need calculation continues to factor in families’ extra financial burden from having more than one student in college at the same time.

In addition to the glitches that students are experiencing with the new procedures, we are currently facing another challenge due to the U.S. Education Department’s processing delays. Ordinarily, when a student and their family members complete a FAFSA, that student’s application data is transmitted within 24 hours to State agencies like HESAA and to any institutions of higher education that the student selected. However, institutions and State agencies will not receive this year’s FAFSA data until four to six weeks after students submit the form. This disruption threatens the delivery of financial aid offers to students considering enrollment in fall 2024, and hinders institutions’ ability to promptly advise students about their individual financial aid packages or to request any additional information needed for verification or review before determining final aid
offers. The federal processing delay will mean hundreds of thousands of New Jersey students must make major life decisions in a very short period of time, or without the full context of their total student aid eligibility to inform those decisions.

HESAA is acting to address this issue. We are presenting additional workshops and information sessions to help students and families complete an application. Also, after students finish a FAFSA, the federal government directs them to HESAA’s new landing page with detailed instructions about “what’s next for New Jersey applicants,” which can streamline students’ State aid experience while their federal applications are pending. We also extended the renewal deadline by one month, to May 15, 2024, for students who are receiving State aid during the current 2023-2024 academic year. We will keep the Board updated as this saga continues.

**Newly-enacted legislation**
Governor Murphy recently signed four laws affecting student aid, each of which passed at the end of the last legislative session.

First, starting with the high school class of 2025, New Jersey 12th grade students will be required to complete the FAFSA or the state alternative financial aid application – with an opt-out provision for those who choose not to apply – as a condition of receiving a high school diploma. Filing a financial aid application is the only way a prospective student can find out about valuable grants and scholarships. Students who complete financial aid applications are not only more likely to enroll in higher education, they are also more likely to earn a degree. Because more than one-third of our state’s high school graduates failed to complete the FAFSA by the start of the academic year last fall, they left more than $90 million in federal financial aid on the table, and potentially millions more from Tuition Aid Grants (TAG), New Jersey’s College Promise, and other state programs that make postsecondary education and training more affordable for students enrolled at New Jersey institutions. FAFSA filing rates, high school graduation rates, and postsecondary enrollment increased after the enactment of similar laws in California, Illinois, Louisiana, Texas, and other states, and we anticipate that New Jersey’s new law will have equally positive impacts. HESAA will share data with high school administrators so they can track the progress of their 12th grade students in filing financial aid applications and target their efforts to encourage seniors to complete these important forms. Once New Jersey’s high school seniors are required to apply for financial aid before graduation, more students will be able to make well-informed decisions about their futures.

Second, Governor Murphy recently signed a law to reform New Jersey’s Nursing Faculty Loan Redemption program. These statutory revisions will qualify more nursing professionals with advanced degrees to get some of their student debt repaid by the State, in exchange for service as a nursing instructor. As a result, academic nursing programs will be able to hire additional faculty to expand capacity and train a larger number of new nurses to address New Jersey’s shortage.

Third, eligibility requirements for New Jersey’s Summer TAG program were established in a law the Governor signed yesterday. In the inaugural pilot last year and again in the upcoming summer of 2024, Summer TAG awards support students so they can graduate faster with less debt. Although this new law codifies Summer TAG policies, separate dedicated funding would be needed in future annual State budgets to make students eligible for grants in any summer beyond 2024.
And finally, the Governor signed a bill clarifying the 2021 “scholarship displacement” law, which is designed to prevent public colleges and universities from reducing the value of their institution-funded financial aid as an offset of students’ private scholarships. This law will allow students to realize the full benefit of those outside scholarships to help pay their college costs of attendance, so that these private awards truly supplement, rather than supplant, resources from federal, State, and institutional student aid.

Grants and Scholarships Results: Fall 2023 Semester
I am pleased to report on the successful results of HESAA’s grants and scholarship programs during the first half of Academic Year 2023-2024.

In the fall semester that just ended last month, nearly 27,000 students received awards from New Jersey’s College Promise programs – about half from the Community College Opportunity Grant and half from the Garden State Guarantee, which together comprise New Jersey’s College Promise. Those figures include more than 4,200 students in the expanded third tier of eligibility that provides benefits to students from families with annual incomes from $80,000 up to $100,000.

Also in Fall 2023, more than 61,000 full-time students and nearly 7,000 part-time students received need-based TAG awards, and more than 2,000 students received merit-based NJ STARS awards.

And as Governor Murphy mentioned in his recent State of the State speech, to support the expansion of the K-12 education talent pipeline and address the teacher shortage, HESAA launched the pilot of New Jersey’s Student-Teacher Scholarship program. Last fall, this program provided awards of $3,000 to more than 700 future teachers during their semester of clinical practice (colloquially known as “student teaching”) as part of an approved Educator Preparation Program at a New Jersey institution of higher education. We expect many more future educators to benefit from this program in the current spring semester.

CLASS Migration Update
As Greg Foster mentioned in his Compliance report and as Chairwoman Van Horn noted, beginning last October through a phased approach, HESAA is migrating NJCLASS loan accounts into our new Collections, Loan Accounting, and Servicing System (CLASS). This new technology is already delivering benefits to borrowers. The CLASS platform is currently in production with nearly 10 percent of our active NJCLASS loan portfolio. The remaining NJCLASS loans will be migrated from the current legacy mainframe system into the new Oracle-based CLASS platform over the next several months.

This initial milestone was achieved through the hard work of many staff members at HESAA, through a team effort across many different units at the Authority, alongside our external partners. To align with the billing cycle of existing loan accounts and avoid conflicts with daily processes, all loan data must be migrated into the new system during off-hours – and HESAA’s dedicated team has worked over successive weekends to make this happen. Many thanks to all the staff who have put in time and commitment to achieve these results. We look forward to fully implementing CLASS in the months ahead to enhance HESAA’s customer service to NJCLASS borrowers.

HESAA staff updates
Since the Board’s last meeting, Tracy Hutton retired after a 17-year career at HESAA. Tracy was a Supervisor in our Customer Contact Center, where she managed processes to help delinquent NJCLASS borrowers get back on track to repayment. Tracy served as a Student Loan Investigator for 11 years prior to her promotion to Supervisor, and she was known as a team player who often shared her knowledge with team members to help customers. Tracy also served as a “spirit” champion, organizing and leading HESAA’s annual Customer Service Week celebrations.

In addition, Donna Strandskov retired from her position as a Student Loan Investigator in our Customer Contact Center, where she had served for 14 years. Earlier in her time at HESAA, she worked on the default aversion team for guaranteed federal student loans. More recently, Donna played a key role in processing NJCLASS loan relief applications, working with borrowers who requested payment arrangements and processing customer inquiries for pay-off quotes. Donna’s pleasant personality will be missed by borrowers and staff alike.

**Conclusion**

As I conclude my report, I am grateful to the Board for your good counsel, and for your commitment to HESAA’s efforts to reach even more New Jersey students and offer the support they need to achieve success in postsecondary education and throughout their lives.

**NEW BUSINESS**

**ADJOURNMENT**

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, April 24, 2024 at 10:00 am.

In addition, Ms. Van Horn noted that it is likely that there will be a special Board meeting in March to approve documents needed for the annual bond issuance to finance the NJCLASS loan program.

A motion to adjourn was made by Scott Salmon and seconded by Dr. Brian Bridges. The motion passed unanimously.

The meeting adjourned at 10:45 am.