MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

April 17, 2019

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on April 17, 2019 at 10:00 am at the HESAA offices in Hamilton.

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

ABSENT: Mr. Bader Qarmout

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:02 am and David Socolow stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

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

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

Ms. Van Horn welcomed Lauren Nathan-LaRusso, Associate Counsel from the Governor’s Authorities Unit.; Geoffrey Stark, Deputy Attorney General from the New Jersey Division of Law; Jeet Gulati, Esq., Office of the Attorney General; Financial Advisor, Tim Webb of Hilltop Securities; Bond Counsel, Leah Sandbank, Esq. (teleconference) and Kevin Fenstemaker, Esq., McManimon, Scotland & Baumann, LLC; and Underwriter, Joseph Santoro, Bank of America Merrill Lynch.

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

CONSIDERATION OF THE MINUTES OF THE JANUARY 23, 2019 MEETING

A motion to approve the minutes of the January 23, 2019 meeting was made by Mr. Robert Shaughnessy and seconded by Ms. Jean McDonald Rash. The minutes were approved unanimously.

CHAIR TO ANNOUNCE NOMINATING COMMITTEE APPOINTMENTS

Christy Van Horn announced that Jean McDonald Rash has agreed to chair, and Maria Torres and Stephan Lally have agreed to serve on, the Nominating Committee. Ms. Van Horn advised that any members interested in serving on the Executive Committee should advise Roseann Sorrentino.
or the Nominating Committee Members of their intention by June 1st. She thanked the members for agreeing to be on the Committee.

RESOLUTION 05:19 ADOPTING A SCHEDULE OF MEETINGS FOR FISCAL YEAR 2020

Marnie Grodman, Esq., presented Resolution 05:19 to the Board.

At the last Board meeting of the fiscal year HESAA sets the meeting schedule for the next fiscal year in order to provide notice to the public. After polling the Board members regarding their availability it is recommended that for fiscal year 2020 the Board meetings be scheduled on Wednesday, July 24, 2019; Wednesday, October 23, 2019; Wednesday, January 22, 2020; and Wednesday, April 22, 2020. All of these meetings will take place at 10:00 am.

In addition, HESAA may call additional meetings, including telephone conference meetings. Specific notice of each meeting will be provided prior to the meeting pursuant to the Open Public Meetings Act.

Dr. Larson arrived to vote for this Resolution.

A motion to approve Resolution 05:19 was made by Ms. Maria Torres and seconded by Ms. Jean McDonald Rash.

The motion passed unanimously.

RESOLUTION 06:19 AUTHORIZING THE ISSUANCE AND SALE OF SENIOR STUDENT LOAN REVENUE BONDS, INCLUDING REFUNDING BONDS, AND SUBORDINATE STUDENT LOAN REVENUE BONDS THROUGH A NEW INDENTURE OF TRUST, AND APPROVING THE EXECUTION AND DELIVERY OF THE INDENTURE OF TRUST, SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, BOND PURCHASE AGREEMENT, AND OTHER DOCUMENTS AND MATTERS IN CONNECTION THERewith, AND ACKNOWLEDGING A CHANGE IN LOAN RATES FOR 2018-1 NJCLASS LOANS.

Jerry Traino presented Resolution 06:19 to the Board.

Good morning and thank you all for your attention to this resolution addressing the 2019-1 Bond Issue and related bond documents before you.

Resolution 6:19 authorizes a bond sale of Series 2019 bonds in an amount not to exceed $300 million. The Series 2019 bonds will be issued under a new Master Indenture of Trust.

The proceeds of the bonds, net of funds required for bond reserves, will be used to finance the Authority’s NJCLASS program for the 2019-2020 academic year, to provide funds for NJCLASS Refinance loans, and to refund certain bonds contained within the 2009 Indenture. In addition,
proceeds will be used to make deposits into the Capitalized Interest and Debt Service Reserve Funds.

The memorandum sent to Board members on April 11th notes that all costs of issuance will be paid with HESAA funds and not from the proceeds of the Series 2019 bonds. While the resolution authorizes a transfer of funds from reserves not to exceed $4,000,000, we anticipate excess assets contained in the 2009 trust will be used for Rating Agency overcollaterization requirements and no free cash from Authority funds will be needed.

As in prior years, the NJCLASS program will utilize bond funds to finance standard NJCLASS Loans with its three repayment options – the 10-year Option 1 with immediate principal and interest repayments; the 15-year Option 2 with interest-only repayments while the student is in school; and the 20-year Option 3 which defers all payment until the student is out of school. Bond funds will also be used to finance NJCLASS Consolidation Loans and NJCLASS ReFi + Loans.

All NJCLASS loans originated from the 2019 bond proceeds will continue to follow the credit standards adopted by the Authority in 2012 and will have a fixed flat interest rate for the life of the loan. As you may recall, last year HESAA eliminated step-up interest rates to better simplify the loan process for borrower families.

To further simplify the Standard NJCLASS loan offerings, beginning with the 2019-2020 academic year HESAA will no longer offer a 15-year, Option 1 loan.

Also beginning with the 2019-2020 academic year, the NJCLASS Refinance Loan Program, the ReFi+ loan, will now offer a 15-year repayment option in addition the 10-year repayment option.

Additionally, beginning this year the ReFi+ loan will be expanded to help borrowers not only refinance their NJCLASS loans but also federal PLUS loans and certain third-party loans. All of the underlying student loans requested for refinancing must have a New Jersey nexus and must be school-certified as not exceeding the total cost of attendance at a qualified institution of higher education less all other amounts of financial aid for which the student was eligible at the time of attendance.

Beginning with the 2019-2020 academic year, HESAA will no longer be offering the NJCLASS Graduate/Professional loans, though it will continue to advise borrowers of the option to use Standard NJCLASS loans for their continuing education needs.

With this year’s bond proposal HESAA will continue two key priorities to assist borrower families who are suffering from a material economic hardship for a period of time to help them avoid default.

We will continue to offer our Repayment Assistance Program, or RAP, and HIARP, the Household Income Affordable Repayment Program, to borrowers whose loans originate with the 2019 bond proceeds.

As you may recall we first offered RAP in 2017. RAP provides eligible borrowers the ability to make monthly payments reduced to an affordable level for up to two years during which those payments would be applied to the principal balance while HESAA assumes the interest payments.
HIARP offers those families who have exhausted their RAP eligibility period but are still struggling with extended periods of material loss of income a longer-term assistance program. Monthly payments in HIARP are reduced to a level that is deemed affordable, taking into account the resources of all parties to the loan. When borrowers enter HIARP, their loan term will be extended to 25 years from the date of origination. Any remaining loan balance after 25 years will be forgiven.

Based on the projected number of borrowers who may experience economic difficulty, HESAA believes the funds allocated for both RAP and HIARP will be sufficient to help our struggling borrower families so they can avoid defaulting on their Standard NJCLASS loans.

As noted in the memorandum, HESAA’s underwriters and its financial advisor will assess market conditions at the time of the sale, which will take place in early June, and make final sizing and structuring recommendations to market and sell the 2019 bonds. HESAA anticipates NJCLASS loan interest rates will be competitive with the Federal PLUS loan rates and remain attractive to New Jersey’s family borrowers.

Here today to review with the Board specific provisions of the Bond Resolution is Mr. Kevin Fenstemaker, representing HESAA’s bond counsel McManimon, Scotland and Baumann. Also from McManimon is Ms. Leah Sandbank, who joins us via telephone.

Also available to answer questions from Board Members is our Financial Advisor, Mr. Tim Webb of Hilltop Securities, and Deputy Attorney General Jeet Gulati, as well as Mr. Joseph Santoro representing Bank of America Merrill Lynch.

Kevin Fenstemaker presented the following:

Resolution 06:19 is before you today for approval. It sets forth the authorizations for (i) a transaction under a new master trust indenture to finance the Authority’s loan origination needs for the upcoming academic year and refinance the Authority’s outstanding 2009 Bonds, (ii) the transfer of certain reserves to meet rating agency parity requirements, and (iii) an acknowledgement of the change in loan rates made with remaining proceeds of the 2018 bond transaction.

First, the resolution sets forth the customary authorizations for a new issue of Student Loan Revenue Bonds, Series 2019. The 2019 Bonds are authorized in a principal amount not to exceed $300 million, are made up of three series, a senior refunding series, a senior new money series and a subordinate new money series and are authorized to be sold to Merrill Lynch as the underwriters’ representative. The parameters for the 2019 Bonds include a final maturity date not later than June 1, 2054, a not-to-exceed redemption price of 103%, a not-to-exceed bond interest rate of 7.0% for the senior series of bonds and a not-to-exceed bond interest rate of 8.5% for the subordinate series of bonds. The expected terms of the 2019 Bonds and the loans that can be originated with proceeds of the 2019 Bonds are further described in the Master Trust Indenture and First Supplemental Indenture before you.

In connection with such approvals, the resolution authorizes the Chairperson, Vice Chairperson, Secretary, Treasurer, Executive Director, or Chief Financial Officer to execute and deliver the
customary bond documents, including a Bond Purchase Contract, a Trust Indenture and First Supplemental Indenture, a Continuing Disclosure Agreement, an Acknowledgement of Servicing, and a Preliminary Official Statement. The forms of each of such operative documents are before you today.

In addition to the above authorizations, the resolution authorizes the use of reserves in an amount not to exceed $4 million, which amount is intended to provide a portion of the funds required by the rating agency to meet its cash flow stress tests and so the Authority can achieve the initial parity requirement necessary to obtain the desired rating from the rating agency. However, it is expected that the Authority will not need to transfer any of its reserves to the Indenture because a sufficient amount of cash and loans will be transferred from the 2009 Indenture upon the refinancing of the 2009 Bonds to be used for such purposes.

The loan parameters for the 2019 loans are substantially the same as in last year's transaction, including continuing the pilot refinance loan program, the Repayment Assistance Program and the Household Income Affordable Repayment Plan program for certain qualifying borrowers. However, this year the Authority will not offer Graduate/Professional Loans and Option 1 Loans will only be offered with a 10-year repayment term. This year, as a new borrower benefit, the Authority will also offer an interest rate discount of 25 basis points to a limited number of qualifying borrowers who electronically submit recurring loan payments.

A motion to approve Resolution 05:19 was made by Dr. Jon Larson and seconded by Ms. Jean McDonald Rash.

Dr. Smith Ellis asked for a clarification regarding the difference between the NJCLASS Graduate Loan program and the Standard NJCLASS Loan program. Jerry Traino explained that NJCLASS Graduate Loans do not require a co-signer while Standard NJCLASS loans usually do require a co-signer.

The motion passed unanimously.

**RESOLUTION 07:19 APPROVING THE APPOINTMENT OF ARBITRAGE CALCULATION CONSULTANT**

Jerry Traino presented Resolution 07:19 to the Board.

Thank you for your consideration of Resolution 07:19 approving the appointment of an Arbitrage Calculation Consultant.

As detailed in the memorandum sent on April 11th, the federal tax code requires tax-exempt municipal bond issuers, which includes student loan revenue bond issuers, to produce arbitrage reports on a regular basis, and eventually remit any liability determined as a result of the calculations to the IRS.

Tax-exempt municipal bond issuers are subject to strict federal arbitrage compliance rules as a condition of issuance requirements. Tax rules limit the ability to earn income from investments including borrower receivables generated from proceeds in connection with tax-exempt bonds and
other federally tax-advantaged bonds. Arbitrage must be carefully calculated and documented to comply with potential IRS reviews.

In the case of HESAA, arbitrage compliance computation services are required for its student loan bond issues used to maintain the NJCLASS Loan program. Given the complexity of the tax code as it relates to arbitrage calculations for HESAA asset-backed bonds, the services of a specialist in this area of accounting are required to ensure compliance.

The Authority has previously issued RFP's for these compliance services and on March 4, 2019 issued an RFP seeking another term contract with arbitrage calculation services provider to maintain reporting compliance for all of its outstanding bond issues.

HESAA received two proposals in response. One was deemed non-responsive and the other was from the current provider, the BLX Group.

HESAA thoroughly reviewed the BLX response. BLX currently provides the requested services for 26 student loan entities generating over 3,200 reports.

As the Authority’s current provider, BLX has an established track record of quality service at reasonable rates. BLX’s overall fee proposal remains comparable to the current fee schedule charged to HESAA with only a modest increase in their per report costs for API analysis. HESAA acknowledges this is reasonable given the growing complexity of data analysis in the recent years. As currently, BLX’s proposal does not contain fees based on hourly rates nor will they charge out-of-pocket expenses.

Overall, HESAA found that BLX continues to maintain an experienced professional staff with the requisite skills to perform the services required.

Based on these factors it is recommended that the Board approve the appointment of BLX Group as the Authority’s provider of arbitrage calculation services for an initial contract period of three years, with up to three one-year extensions at the option of the Authority.

A motion to approve Resolution 07:19 was made by Mr. Robert Shaughnessy and seconded by Mr. Stephan Lally.

The motion passed unanimously.

**RESOLUTION 08:19 APPROVING THE APPOINTMENT OF A PUBLISHER FOR FINANCIAL AID MATERIALS**

André Maglione presented Resolution 08:19 to the Board.

Thank you for your time this morning in regards to Resolution 08:19 which is before you today. Resolution 08:19 is a request to approve the appointment of a publisher for the publication of the *Going to College in New Jersey* magazine.
Each year HESAA annually distributes approximately 85,000 copies of this 80-page publication to college bound hopefuls at all New Jersey high schools using the guidance office as the method of distribution, as well as through college fairs and local events reaching soon to be college-bound high school students and their families. This publication promotes awareness of higher education learning opportunities to showcase all our two- and four-year degree granting colleges and universities, as well as specialty articles on “Why Go to College,” “Review of College Types,” “Applying to College,” “How to Apply for Financial Aid,” and the counselors’ favorite section in the back of the magazine, the “Degree Directory,” which indicates the majors offered at every colleges and universities to assist in identifying the college or colleges that offer a particular major within our state.

Due to the expiration of the current contract on February 19, 2019, HESAA issued a Request for Proposals (RFP) to write, edit, design, print, produce and distribute this publication, Going to College in New Jersey. The RFP was sent to three qualified publishers, posted on the HESAA website and included in the Star-Ledger, Trenton Times, Courier News and the Home News. We only received a single response to the RFP from the current vendor. For the past ten years Nautilus Publishing Company has published Going to College in New Jersey to HESAA’s specifications. While the total propose cost has increased from $70,550 to $76,550, this is the very first increase in five years and the versions produced will include an e-book version that high schools can include on their websites.

It is recommended that the Board approve Resolution 08:19, appointing Nautilus Publishing for these services for an initial term of three years with two possible one-year extensions, at a cost not exceed $76,550 for the first 85,000 copies.

A motion to approve Resolution 08:19 was made by Ms. Maria Torres and seconded by Ms. Jean McDonald Rash.

Christy Van Horn asked if the schools have a QR code that could be included in the magazine for potential students to scan. Dr. Larson stated the schools do have that code and complimented the idea. David Socolow agreed that we would include these codes on the page for each college or university in the next edition of Going to College in New Jersey.

David Socolow advised the Board that the New Jersey Presidents’ Council is implementing a promotional marketing campaign on the benefits of going to college in New Jersey and advised that HESAA will work with the Council to align the editorial content in the next edition of Going to College in New Jersey with this campaign. Dr. Smith Ellis noted that this will be a statewide campaign including other stakeholders such as Choose NJ. Mr. Socolow stated that the slogan for the campaign is “Learn More, Earn More, Be More in New Jersey.”

The motion passed unanimously.

RESOLUTION 09:19 APPROVING THE SECOND ONE-YEAR EXTENSION OF THE CONTRACT WITH WELLS FARGO TO PROVIDE DEPOSITORY BANKING SERVICES

Arthur Quaranta presented Resolution 09:19 to the Board.
The Higher Education Student Assistance Authority engages a bank to perform Depository Banking Services on HESAA’s behalf, which means receiving payments made on all HESAA loan programs, including N/CLASS and the portfolio of defaulted loans held by HESAA as the designated New Jersey Federal Family Education Loan Program (FFELP) guaranty agency. Payments are made through the selected bank via ACH payments from multiple sources, checks processed through lockbox, and check payments received directly by the Authority.

As the result of a Request for Proposals, at its April 23, 2015 meeting, the HESAA Board appointed Wells Fargo NA as the provider of depository banking services for the Authority for a period of three years, with two possible one-year extensions at the option of HESAA.

Wells Fargo NA has established a track record of quality service, including assistance in implementation of technical improvements, as well as excellent customer service, by providing prompt and helpful responses at no additional cost whenever staff needs to communicate regarding lockbox banking issues. At its April 18, 2018 meeting the Board approved the first one-year extension for Wells Fargo NA to continue as the provider of depository banking services and staff now recommends approving the second one-year extension of the contract with Wells Fargo NA.

A motion to approve Resolution 09:19 was made by Dr. Jon Larson and seconded Mr. Robert Shaughnessy.

The motion passed unanimously.

**RESOLUTION 10:19 APPROVING THE FIRST ONE-YEAR EXTENSION OF THE CONTRACTS PROVIDING TEMPORARY EMPLOYMENT SERVICES.**

Patricia Maske presented Resolution 10:19 to the Board.

In order to accomplish its mission of providing students and their families with financial and informational resources to pursue their education beyond high school, it is necessary for HESAA to supplement its permanent workforce with temporary employees and consultants.

On February 22, 2016 HESAA issued three separate Requests for Proposals for Temporary Employment Services, one for Administrative, Office and Clerical; one for Finance; and one for Information Technology (IT).

Based on the evaluation committee’s recommendations, on April 19, 2016 the Board approved Resolution 08:16 and contracts were awarded to J&J Staffing Resources, Careers USA, Robert Half OfficeTeam, Robert Half Accountemps, Robert Half Technology, Tek Systems, and Likeminds.

The awards were for three years, with two possible one-year extensions. HESAA has been satisfied with the quantity and quality of candidates received. A listing of the vendor awards and rates is attached.

It is recommended that the Board approve Resolution 10:19 providing a one-year extension to each of the vendors HESAA engaged pursuant to the RFPs for Temporary Employment Services.
A motion to approve Resolution 10:19 was made by Ms. Jean McDonald Rash and seconded Ms. Christy Van Horn.

The motion passed unanimously.

RESOLUTION 11:19 APPROVING THE TRANSFER OF FY 2019 CAPITAL FUND MONIES TO INSTALL AN EMERGENCY BACK-UP GENERATOR TO PROTECT HESAA’S COMPUTER AND COMMUNICATIONS EQUIPMENT

Ruth Odom presented Resolution 11:19 to the Board.

HESAA has been in the Quakerbridge Plaza complex since 1981. The data center was completely built out in 1984. Over the decades HESAA has experienced multiple power outages and abrupt shutdowns of the computer and communications equipment.

Over the last decade, there have been over a dozen power outages with the most significant outage in 2012 as a result of Hurricane Sandy. During these outages we have not been able to serve the students and families of New Jersey and have incurred additional costs of over $70,000 to replace equipment damaged as a result.

The HESAA Board approved $200,000 in this fiscal year’s capital budget to purchase and install a generator. Engineering reports were prepared and a proposal received for a 350 kilowatt natural gas-powered generator to provide back-up power to critical areas of building 4 where the computer room and main communication room are located, at a cost of $400,964.50. Additionally, approximately $15,000 will need to be paid to Hamilton Township to cover the cost of permits.

Therefore, in addition to the $200,000 originally identified for a generator, I am respectfully requesting to use $100,000 earmarked for software purchases and $116,000 earmarked for equipment replacement from the current fiscal year capital budget.

It is recommend the Board approve Resolution 11:19 approving the transfer of monies to procure and install an emergency back-up generator at a total cost of $415,964.50.

A motion to approve Resolution 11:19 was made by Ms. Maria Torres and seconded Mr. Michael Scardina.

Robert Shaughnessy asked for an explanation of the reallocation of funds. Ms. Odom explained that every year HESAA prophylactically includes funding in the budget for a ten ton and a five ton air conditioner replacement in case of an emergency. HESAA did not need to use those funds this fiscal year. The additional $100,000 is being transferred from software allocations that were going to support the Servicing and Collection Unit in voice analytics and new scripts, which HESAA decided not to pursue at this time in light of the development of the new servicing system the Board previously approved.

The motion passed unanimously.
RESOLUTION 12:19 CONSIDERATION AND APPROVAL OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2018 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (CORZINE)

Jennifer Azzarano presented Resolution 12:19 to the Board.

In accordance with Executive Order 37 (Corzine), all independent state authorities such as the Higher Education Student Assistance Authority are required to produce an annual report. The Executive Order states the annual report is to reflect a comprehensive overview of the work of the Authority and explain how that work promotes the state’s overall economic growth strategies.

The Executive Order also requires the annual report to include financial statements and a certification that the Authority is compliant with all internal controls, standards, and procedures.

Included in your binders is a copy of HESAA’s proposed 2018 Annual Report. This report is designed to be a useful resource describing all that HESAA provides to the students and families of New Jersey. In the spirit of transparency, this report also contains a great deal of data about appropriations, award levels, number of awards, and expenditures. Also highlighted are the various ways that HESAA has worked to advance Governor Murphy’s vision to empower the success of all New Jersey students by making a postsecondary education more affordable and accessible for a stronger and fairer New Jersey.

With your approval today, the final report, in substantially this form, will be posted to our website and submitted to the Governor’s office as required by the Executive Order.

We recommend that the Board approve Resolution 12:19.

A motion to approve Resolution 12:19 was made by Mr. Stephan Lally and seconded by Dr. Zakiya Smith Ellis.

Christy Van Horn and Zakiya Smith Ellis complimented the report.

The motion passed unanimously.

REPORT OF THE PROGRAM REVIEW AND QUALITY CONTROL COMMITTEE

Christy Van Horn reported that the Program Review and Quality Control Committee met on April 1, 2019 via teleconference and advised that she and Maria Torres participated on the call. Also included, on behalf of HESAA were David Socolow, Jill Schmid, Gena Carapezza, Greg Foster, Jerry Traino and Marnie Grodman.

Ms. Van Horn invited Jill Schmid, Director of Audits and Quality Assurance, to provide the following report:

HESAA’s Audits and Quality Assurance department met with the Program Review and Quality Control Committee on April 1st to discuss its accomplishments and progress in 2018, as well as the proposed review schedule for the upcoming year. While the full report presented to the
committee is included as item 11 in the Board materials, I would like to take this opportunity to highlight our major accomplishments.

- The Audits and Quality Assurance department conducts institutional reviews to ensure state grant and scholarship programs are administered in accordance with all relevant federal and state statutes, regulations, policies, and procedures. This past year we performed three full scale reviews with one more scheduled before the end of the review cycle. We also performed five limited reviews. These reviews resulted in returns to HESAA of over $75,000.
- In addition to the standard reviews, we performed two reviews based on single audit findings that had potential impacts on state award programs. A total refund of over $66,000 was due to the state, the majority because of one institution’s failure to monitor student withdrawals. The issue has since been corrected at the school.
- We also performed a state-wide NJSTARS review for all 19 community colleges. I am pleased to report that no major findings were identified, with a total refund in the amount of only $8,500 due back to the state. Our observations were also incorporated into the most recent HESAA University NJSTARS training course for college financial aid staff.
- Three special counsel reviews were performed, with one final report to be issued this month and two expected to close by the end of 2019.
- HESAA’s membership in the Common Review Initiative group continues to ensure that all federal, state and guaranty agency requirements are enforced. Per the CRI-developed review schedule, HESAA participated as a desk reviewer for two of HESAA’s five largest lenders. We are on the schedule to participate in two reviews during the next biennium review cycle as well.
- HESAA completed the annual internal control self-assessment as required by OMB and submitted its confirmation letter in June 2018. No significant weaknesses were identified. The 2019 internal control assessment is currently in progress.
- We continue to review the institutions’ single audit reports annually. This process helps us identify potential issues that may impact state programs. Additionally, we update Treasury’s Grantee Single Audit System with our review results.

This past year was busy and the proposed schedule will maintain that pace while still allowing flexibility for ad-hoc reviews as the needs arise. We will continue to work with the Grants and Scholarship area to resolve issues that may be identified and will focus on ensuring compliance with the institutions’ transition to the NJFAMS system.

The proposed review schedule was approved by the Program Review and Quality Control committee on April 1st and it is requested that the board approves the schedule today. I am happy to answer any questions you may have.

Ms. Jean McDonald Rash made a motion to accept the Program Review and Quality Control Report and the review schedule for FY 2020. Ms. Christy Van Horn seconded the motion.

Christy Van Horn commented on the tight timetables in the review schedule and complimented the staff on the amount of work they are able to accomplish in such a short amount of time.
The motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Executive Director David Socolow gave the following report:

Thank you Chairwoman Van Horn, members of the Board, and guests. I am grateful to the Board for taking action today on several important items on our agenda, and I appreciate the opportunity to provide the following update.

FY 2020 State Budget
Last month, Governor Murphy introduced New Jersey’s Fiscal Year 2020 budget, and I am pleased to report that this budget includes significant investments in state-funded financial aid programs.

First, the Governor’s budget increases funding for the Tuition Aid Grant (TAG) program by $5 million over the prior year’s level. This would maintain TAG’s crucial funding that helps pay for 70,000 students’ undergraduate education in a New Jersey two-year or four-year degree program, while also providing the funds needed for two expansions of access to TAG grants. This new funding will cover TAG awards to New Jersey Dreamers, whose eligibility for State-funded financial aid was made possible by a law the Governor signed last year. In addition, the Governor’s budget proposal would expand TAG eligibility to students participating in the New Jersey Scholarship and Transformative Education in Prisons (NJSTEP) program, which coordinates faculty from several colleges across our state to offer Associate’s Degree and Bachelor’s Degree courses to individuals incarcerated in New Jersey state prisons.

Second, the Fiscal Year 2020 budget would expand the Community College Opportunity Grant (CCOG) program to help make college more affordable by enabling more low- and moderate-income students to attend county college tuition- and fee-free, covering students at all 19 county colleges statewide for both semesters of Academic Year 2019-2020. As you know, we are currently pilot testing this program in the Spring 2019 semester, by funding “last-dollar” CCOG awards that cover any balance of tuition and approved educational fees that remains after accounting for all other grants and scholarships that an eligible student receives. Approximately 9,000 students at the 13 county colleges participating in the pilot are potentially eligible for CCOG, as they enrolled at least half time this semester, have an adjusted gross income between $0 and $45,000, and their tuition and covered fees exceed the Pell, TAG, and other grants that they were awarded. We expected CCOG to fill in the gap so these students would not have to pay the balance of tuition and fees that was not covered by other grant aid. However, we have found that, despite their calculated need, some of them face additional hurdles that may keep them from receiving CCOG awards; these are due in part to the unusual circumstances of starting this program in the second semester of an academic year. In the coming weeks, we will analyze what we have learned from this pilot, so as to inform future implementation of this initiative.

We will presenting this budget to the legislature early next month, and we look forward to the opportunity to discuss with legislators and the general public these important priorities for the success of New Jersey’s students.

State Plan for Higher Education
A month ago, Governor Murphy and Higher Education Secretary Smith Ellis unveiled the new State Plan, entitled “Where Opportunity Meets Innovation: A Student-Centered Vision for New Jersey Higher Education.” This plan identifies actions required to enable every New Jerseyan, regardless of life circumstances, to have the opportunity to obtain a high-quality credential that prepares them for life after college. Through its vision for a Student Bill of Rights, the plan focuses squarely on how to support students – not only what students need to do for themselves, but also what we in State government and our partners at colleges and universities must do to help reach New Jersey’s goal of 65 percent of working-age adults holding a quality postsecondary credential by 2025 (“65 by ‘25”). Over the next eight months, we look forward to moving these bold ideas forward, as HESAA staff will support the diverse stakeholders collaborating in two working groups, one that will address the plan’s recommendations for making college affordable and another that is concentrated on improving student supports to boost college completion.

Program Research and Evaluation
Policy experts across the nation are examining postsecondary financial aid and its critical role in lowering the net price students pay for college. Because we seek to use empirical evidence to make data-driven decisions, we are delighted that several researchers are conducting studies on the outcomes and performance of HESAA’s student assistance programs. These independent evaluations will provide useful information and recommendations for strengthening programs for New Jersey’s postsecondary students. For example, Sandy Baum, the lead researcher on college affordability at the Urban Institute, received funding from the Laura and John Arnold Foundation to study state-funded, need-based student aid programs, including New Jersey’s Tuition Aid Grant (TAG) program. In addition, Drew Anderson of the RAND Corporation received separate philanthropic funding to examine the impact of TAG, and, with the support of the Office of the Secretary of Higher Education (OSHE), Dr. Robert Kelchen of Seton Hall University is analyzing data and results from the Community College Opportunity Grant pilot. I am also glad to note that HESAA is participating as a partner in the New Jersey Education-to-Earnings Data System (NJ EEDS) project, which has built the state’s longitudinal database with a data warehouse of unit record level data from OSHE, HESAA, and the Departments of Education and Labor and Workforce Development. The NJ EEDS data pool will provide valuable information to each agency, and ultimately to external researchers, to evaluate trends and outcomes for the New Jersey student population from primary and secondary school to college and into the workforce.

NJCLASS Loan Update
Finally, I would like to highlight some of our plans for enhancing the NJCLASS family loan program that the Boarc approved at today’s meeting. As described in the presentation earlier, starting this fall, we are planning to offer a new option for borrowers to refinance their student loans with 15-year terms; for many borrowers, this will mean lower monthly payments than those previously available from our current 10-year Refi+ loan. Also this year, as noted earlier, we are working to expand the Refi + loan program to help borrowers not only refinance their NJCLASS loans but also their federal PLUS loans and qualifying school-certified third-party loans. We are also exploring options for reducing the interest rate charged to borrowers who consolidate NJCLASS loans, as well as providing incentives for borrowers to set up automatic recurring monthly payments.

The bond issue that the Board approved today will also maintain the Repayment Assistance Program (RAP) and the Household Income Affordable Repayment Plan (HIARP) for NJCLASS loans offered for the coming academic year. These default aversion programs work in tandem to
assist NJCLASS borrowers and their families in cases of economic hardship. We are also continuing our initiative that offers balanced settlement agreements to borrowers whose NJCLASS loans are in default. Several weeks ago, both houses of the state legislature passed S3125, which would codify RAP and HIARP for every bond indenture going forward, subject to available funds, and S3149, which codifies HESAA’s settlement process for defaulted NJCLASS loans and establishes parameters for repairing the credit ratings of borrowers who comply with these payment plans. It has been particularly gratifying to have the support of the legislature for HESAA’s practical reforms to assist borrowers and strengthen the NJCLASS family loan program. We look forward to the Governor signing these two important bills into law.

As always, many thanks to the Board for your commitment to expanding access and improving affordability of postsecondary education for New Jersey’s students.

Christy Van Horn stated that HESAA has been making a lot of progress and she was glad to see the combined efforts between HESAA and the Office of the Secretary of Higher Education.

NEW BUSINESS

Chair Van Horn reminded the Board that Financial Disclosure Statements must be filed by May 15, 2019 and that there is a $50 per day fine if filed late.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, July 24, 2019.

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

The meeting adjourned at 10:55 am.
MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

THROUGH: David J. Socolow
Executive Director

FROM: Marnie B. Grodman, Esq.
Director, Legal and Governmental Affairs

SUBJECT: Resclution 05:19 - Adopting a Schedule of Meetings for Fiscal Year 2020

DATE: April 17, 2019

Attached for your review is Resolution 05:19 recommending dates for the Fiscal Year ("FY") 2020 HESAA Board meetings. The following dates were chosen after polling each member regarding his or her availability.

- Wednesday July 24, 2019
- Wednesday October 23, 2019
- Wednesday January 22, 2020
- Wednesday April 22, 2020

All regular Board meetings will take place at 10:00 a.m. at HESAA offices, 4 Quakerbridge Plaza, Building 2, Mercerville, New Jersey. HESAA may call additional meetings, including telephone conference call meetings, at its discretion.

The HESAA Board adopts a regular meeting schedule so that HESAA may notify Board members and the public of future meeting dates. Specific notice of each meeting will be provided to the public in a timely fashion in accordance with the provisions of the Open Public Meetings Act.

Recommendation

It is recommended that the Board approve the attached Resolution 05:19 – Adopting a Schedule of Meetings for Fiscal Year 2020.

Attachment
RESOLUTION 05:19

ADOPTING A SCHEDULE OF MEETINGS
FOR FISCAL YEAR 2020

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

WHEREAS: Adopting a regular meeting schedule provides general notice to Board members and to the public of meetings of the Higher Education Student Assistance Authority Board; and

WHEREAS: The dates for the regular meetings for Fiscal Year 2020 were chosen after polling the Board members regarding their availability; and

WHEREAS: The Higher Education Student Assistance Authority may call additional meetings, including telephone conference call meetings; and

WHEREAS: Specific notice of each meeting will be provided to the public in accordance with the provisions of the Open Public Meetings Act.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the following schedule of meetings for Fiscal Year 2020:

Wednesday July 24, 2019
Wednesday October 23, 2019
Wednesday January 22, 2020
Wednesday April 22, 2020

April 17, 2019
MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David Socolow  
Executive Director

FROM: Jerry Traino  
Chief Financial Officer

SUBJECT: NJCLASS: Student Loan Revenue Bonds, Series 2019, Resolution 06:19 - a resolution authorizing the issuance and sale of senior student loan revenue bonds, including refunding bonds, and subordinate student loan revenue bonds through a new indenture of trust, and approving the execution and delivery of the indenture of trust, supplemental indenture, preliminary official statement, final official statement, continuing disclosure agreement, acknowledgement of servicing, bond purchase agreement, and other documents and matters in connection therewith, and acknowledging a change in loan rates for 2018-1 NJCLASS loans.

DATE: April 17, 2019

Summary

Resolution 06:19 authorizes a bond sale of Series 2019 bonds in an amount not to exceed $300 million. Final maturity on the bonds shall not extend past June 1, 2054. The Series 2019 bonds will be issued under a new Master Indenture of Trust dated as of June 1, 2019.

The Series 2019 bonds will consist of Senior Refunding Series 2019 A bonds, Senior Series 2019 B bonds, and Subordinate Series 2019 C bonds. The structure currently contemplates total issuance of $300,000,000, Senior Refunding Series 2019 A bonds, Senior Series 2019 B bonds, and Subordinate Series 2019 C bonds. Tranche sizes may change at pricing, but in no event will total issuance exceed $300 million.

The Series 2019 Bonds are being issued to provide funds for HESAA’s New Jersey College Loans to Assist State Students ("NJCLASS") program for the 2019-2020 academic year, to provide funds for NJCLASS Refinance loans, and to refund all bonds contained within the 2009 Indenture. In addition, proceeds shall be used to make deposits into the Capitalized Interest and Debt Service Reserve Funds. It is anticipated that all costs of issuance will be paid with HESAA funds and not
from the proceeds of the Series 2019 bonds. Excess assets contained in the 2009 trust will be used to over-collateralize the 2019 trust, and no free cash from Authority funds is anticipated to be needed to meet rating agency required over-collateralization levels.

Credit market conditions make it advantageous for the Authority to utilize the same basic capital structure as used in the sale of the Authority’s Series 2012 thru 2018 bonds, fixed rate serial and term bonds with a super sinker. The proceeds of the Series 2019 bonds will be used to originate loans as follows:

Undergraduate Students: 10-year Option 1 (immediate payment of principal and interest),
15-year Option 2 (immediate payment of interest only), and
20-year Option 3 (deferred payment of principal and interest);

Consolidation: 25- and 30-year repayment options; and

Refinance: 10-year and 15-year repayment option.

For the 2019-2020 Academic Year, Standard NJCLASS loans originated with Series 2015 proceeds will be offered at fixed flat interest rates for the life of the loan. To simplify Standard NJCLASS loan offerings, HESAA will no longer offer a 15-year Option 1 loan.

Market conditions and loan demand make it possible for the Authority to continue offering its 10-year Option 1 Loan to families who choose to make higher monthly repayments that begin immediately, while the student is at college, rather than deferring principal (Option 2) or both principal and interest (Option 3) while the student is in school. The 10-year Option 1 loan carries a significantly lower interest rate than either the 15-year Option 2 NJCLASS loan or the federal Direct Parent Loan for Undergraduate Students (PLUS).

As noted above, the Series 2019 bonds will include a series of subordinated bonds, Subordinate Series 2019 C, as part of the overall bond structure. The Subordinate Series 2019 C bonds will be structured with the longest maturity date. Payment of principal on the Subordinate Series 2019 C bonds is payable after all principal payments on the Senior Series 2019 bonds has been paid. Interest on the Senior Series 2019 bonds is payable prior to the payment of interest or principal on the Subordinate Series 2019 C bonds. The Subordinate Series 2019 C bonds are expected to carry a higher rate of interest than the Senior Series 2019 bonds, and will appeal to investors willing to accept a subordinated bond payment in exchange for a higher yield. This structure has been successfully used in each of the Authority’s issuances since 2012. The inclusion of subordinated bonds in the bond structure reduces the amount of equity the Authority is required to contribute to the Series 2019 bonds. The Subordinate Series 2019 C bonds are expected to carry an investment grade rating of A or Baa from Moody’s, and the Senior Series 2019 bonds are expected to be rated Aa by Moody’s.

It is anticipated that the net equity from the performing loans in the 2009 Indenture that will be transferred into the Series 2019 will be adequate for the Authority’s required equity contribution to the Series 2019 bonds to satisfy certain rating agency stress case cash flows. While the
Resolution authorizes a transfer of funds from reserves not to exceed $4,000,000, HESAA does not anticipate that any additional equity will need to be contributed by the Authority.

NJCLASS loan volume for academic year 2019-20 is expected to approach $150 million. HESAA anticipates using approximately $15 million in residual unexpended Series 2018 proceeds to meet demand.

**NJCLASS Program Parameters**

Beginning with the 2019-2020 Academic Year the NJCLASS Pilot Refinance Loan Program will be expanded to help NJCLASS borrowers refinance NJCLASS loans, federal PLUS loans and third-party loans. In prior years, qualified borrowers could only refinance existing NJCLASS and federal PLUS loans. Borrowers of refinance loans funded with 2019 proceeds will now have the option of a 10-year or 15-year repayment term. All of the underlying student loans requested for refinancing must have a New Jersey nexus and must be school-certified as not exceeding the total cost of attendance at a qualified institution of higher education less all other amounts of financial aid for which the student was eligible at the time of attendance. HESAA’s refinance loan allows borrowers to significantly reduce the interest rates on their existing loans. To qualify for a Refinance Loan borrowers must meet HESAA’s established credit criteria for the program which includes school certification.

HESAA will not be offering NJCLASS Graduate/Professional student loans in the 2019 Indenture but will continue to advise borrowers of their option of using Standard NJCLASS loans for their continuing education needs. Borrowers who do not qualify on their own for the Standard NJCLASS loan for graduate school will have the choice of obtaining a credit-worthy co-signer or will be counseled to apply for the federal Graduate PLUS loan.

While HESAA will continue to offer Standard NJCLASS Option 1, 2, and 3 loan products, Option 1 will only have a 10-year repayment term; HESAA will no longer offer Option 1 loans with a 15-year repayment term.

Continuing the policy that began with the 2018-2019 Academic Year, Standard NJCLASS loans originated for 2019-20 will not have a 0.75% step-up, but instead will carry a flat interest rate for the life of the loan. HESAA eliminated the step-up rate structure with its 2018-1 Indenture as a way to further simplify the loan process for our borrower families.

All NJCLASS loans originated from the series 2019 bond proceeds will continue to follow the credit standards adopted by the Authority in 2012 as detailed below:

- **Minimum Income of $40,000.**

- **Credit Score Criteria**
  - 670-699 FICO Band – all applicants’ credit reports reviewed for derogatories.
  - 700+ FICO Bands – application auto-approved.
• Administrative fee of 3% for all option types (except for consolidation loans which carry a 1% origination fee and refinance loans with a 0% origination fee) to provide additional collateralization for the Bonds.

• Bond proceeds available for originating Option 3 loans not to exceed $30.0 million.

• Consolidation Loans – maintain credit and minimum income standards as in standard NJCLASS loans.

• Refinance Loans – in addition to meeting the credit criteria outlined above, borrowers applying for a Refinance loan will be subject to a debt-to-income ratio test. The borrower’s debt to income ratio cannot exceed 40%. Interest rates for the refinance loans will be tiered based on borrower credit scores. Borrowers with credit scores 780 or higher are offered the lowest rate, those with credit scores from 720 to 779 a slightly higher rate and those with credit scores from 670-719 the highest rate. Borrowers in each of these tiers are expected to realize significant savings in comparison to the interest payment costs associated with the current loans to be refinanced.

Borrowers who do not qualify for the NJCLASS loans on their own will have the choice of obtaining a credit-worthy co-signer or will be counseled to apply for the federal Parent PLUS loan. Although federal Parent PLUS loans carry higher interest rates and higher origination fees than NJCLASS loans, these federal loans offer less stringent credit standards than do Standard NJCLASS loans. The NJCLASS program is funded through the issuance of rated tax-exempt debt. Were HESAA to offer loans with similar credit criteria as federal PLUS loans (essentially no credit requirements), NJCLASS loans would need to carry significantly higher interest rates, thus disadvantaging borrowers.

HESAA continues to counsel families to strongly consider Option 1 or Option 2 for Standard NJCLASS loans, rather than Option 3, since these options require some level of payment during the in-school period and thus mitigate impact of interest capitalization. We focus particular attention to explaining these options to lower FICO-score borrowers who often end up facing monthly payments they cannot afford, which is detrimental to student borrowers, their family members who co-sign their loans, and to the NJCLASS program.

The tighter credit standards implemented by HESAA in 2012, in combination with an improving State and national economy, has resulted in a decrease in loan defaults.

**RAP and HIARP**

Continuing our efforts to assist those families who suffer a material economic hardship for a period of time during the life of their loans, HESAA will again offer the Repayment Assistance Program (RAP) and Household Income Adjusted Repayment Program (HIARP) to borrowers of loans originated for the 2019-20 academic year. These programs also will avert default for borrowers struggling to repay their loans, thus avoiding the ill effects of these loans going into default. RAP was first offered to borrowers whose loans were originated with funds from the Series 2017 bonds and HIARP was first offered to borrowers of loans originated with Series 2018 bond proceeds.
A borrower is eligible to participate in RAP for a period of two years. Monthly payments during the RAP period are reduced to a level that is deemed affordable, taking into account the resources of all parties on the loan. During RAP, HESAA makes all of the borrower’s interest payments. All monthly borrower payments during RAP are applied to the principal balance of the loan. At the end of the RAP period, a borrower’s monthly payment is recalculated. RAP is subject to the availability of funds. Based on cash flows, HESAA believes that the funds allocated for RAP will cover anticipated need.

As a means of further providing assistance to families struggling with extended periods of material loss of income, HESAA created HIARP in 2018 for borrowers whose loans are originated in or after the 2018-2019 academic years. HIARP is a longer-term assistance program, available to those who have exhausted their RAP eligibility period. Monthly payments in HIARP are reduced to a level that is deemed affordable, taking into account the resources of all parties to the loan. When borrowers enter HIARP, their loan term will be extended to 25 years from the date of origination. Any remaining loan balance after 25 years will be forgiven. During the HIARP period interest continues to accrue on the outstanding balance and will be capitalized when the borrowers are no longer eligible for reduced payments. Annually, the borrowers must meet HIARP eligibility requirements, including certification of the incomes of all the parties to the loan. If the borrowers no longer qualify for reduced payments the payment amount reverts to the standard loan payment as recalculated and the repayment term remains 25 years. As with RAP this program is subject to the availability of funds and HESAA’s analysis indicates that the funds allocated for HIARP will cover the potential number of borrowers who may experience economic difficulty in the upcoming repayment year, thereby helping them before they default.

Based on the projected number of borrowers who may experience economic difficulty, HESAA believes the funds allocated for both RAP and HIARP will be sufficient to help struggling borrowers so they can avoid defaulting on their Standard NJCLASS loans.

**Sale of Bonds and Associated Documents**

The underwriters, in coordination with HESAA and its financial advisor, will assess market conditions at the time of sale. The underwriters will make final sizing and structuring recommendations for the marketing and sale of the Series 2019 bonds. It is anticipated that the sale of the Series 2019 bonds will take place in early June.

This resolution delegates to the Chairperson, Vice Chairperson, Secretary–Treasurer/Executive Director, Chief Financial Officer or other authorized representative or designee of the Authority the power to modify the attached draft bond documents and approve the final structure and interest costs of the Series 2019 bonds.

In conformance with Executive Order 26 (Whitman), the bonds are being issued through a negotiated sale. Because of the complexity of the underlying credit (non-federal private student loans), the size of the issue, and complex bond structure (structured asset-backed issuance), a negotiated sale should result in better pricing for the bonds than would be obtained from a competitive sale.
The latest drafts of the bond documents are enclosed after the resolution in the following order with blue headers:

Attachment A – 2019 Indenture
Attachment B – 2019-1 First Supplemental Indenture
Attachment C – 2019-1 Preliminary Official Statement
Attachment D – 2019-1 Continuing Disclosure Agreement
Attachment E – 2019-1 Acknowledgement of Servicing
Attachment F – 2019-1 Bond Purchase Agreement

The staff of the Authority will continue to work with Hilltop Securities, the Financial Advisor, and Bank of America Securities, Inc., the Senior Manager, to develop an optimum strategy for marketing and pricing the bonds so that sufficient funds will be available to satisfy the demand for NJCLASS loans while at the same time answering any questions the rating agencies and potential bondholders may have regarding the Series 2019 Bond Issue.

Mr. Kevin Fenstemaker, representing McManimon, Scotland and Baumann, LLC, Bond Counsel, will review the bond resolution with the Board.

Mr. Tim Webb of Hilltop Securities, and Deputy Attorney General, Aimee Manocchio Nason, will also be available at the Authority meeting to answer any questions from members of the Board.

It is recommended that the Board approve the attached Resolution 06:19.

Attachments
RESOLUTION 06:19

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SENIOR STUDENT LOAN REVENUE BONDS AND SUBORDINATE OBLIGATIONS AND APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH AND ACKNOWLEDGING A CHANGE IN LOAN RATES FOR 2018 NJCLASS LOANS

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

WHEREAS: The Higher Education Student Assistance Authority (the “Authority”) is a body corporate and politic constituting an instrumentality of the State of New Jersey (the “State”) established and created under and by virtue of the provisions of the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, as amended and supplemented and any successor legislation (the “Act”); and

WHEREAS: Pursuant to the Act and the Indenture of Trust, dated as May 1, 2018, between the Authority and Wells Fargo Bank, National Association (the “Trustee”), as amended and supplemented (the “2018 Indenture”), the Authority has issued $215,850,000 in aggregate principal amount of its Student Loan Revenue Bonds, Series 2018 (the “2018 Bonds”), consisting of $91,500,000 Senior Student Loan Revenue Bonds, Series 2018A, $107,350,000 Senior Student Loan Revenue Refunding Bonds, Series 2018B and $17,000,000 Subordinate Student Loan Revenue Bonds, Series 2018C, as authorized by the First Supplemental Indenture, dated as of May 1, 2018 (the “2018 First Supplemental Indenture”) between the Authority and Trustee; and

WHEREAS: The Authority desires to acknowledge the change in the loan rates for the 2018 NJCLASS Loans (as defined in the 2018 First Supplemental Indenture) originated (i) with proceeds of the Series 2018 Bonds from and after the date of issuance of the hereinafter defined Series 2019 Bonds and (ii) from Recoveries of Principal during the Recycling Period set forth in the 2018 First Supplemental Indenture at the respective Loan Rates set forth in the hereinafter defined 2019 First Supplemental Indenture from and after the issuance of the Series 2019 Bonds, as contemplated by the definition of ‘Loan Rate’ as defined in the 2018 First Supplemental Indenture; and

WHEREAS: In order to accomplish the purposes of the Act and (a) provide Student Loans (as defined in the 2019 Indenture) commencing with the 2019-2020 school year and (b) provide for the refunding of all outstanding obligations issued under the Indenture of Trust dated June 1, 2009, as amended (the “2009
Indenture”) between the Authority and the Trustee, the Authority wishes to (i) provide for the issuance and sale of a series of senior student loan revenue bonds, senior student loan revenue refunding bonds and subordinate obligations pursuant to an Indenture of Trust to be entered into between the Authority and the Trustee (the “2019 Indenture”) and (ii) authorize the transfer of funds from its reserves; and

WHEREAS: In accordance with the requirements of Executive Order No. 26 (Whitman 1994), the Authority hereby determines that because of the complexity and size of the financing structure as hereinafter described, and volatile market conditions, a negotiated sale of such Series 2019 Bonds (as defined herein) would best serve the requirements of this financing; and

WHEREAS: An Underwriter for the Series 2019 Bonds, Merrill Lynch, Pierce, Fenner & Smith, Incorporated; a Financial Advisor, Hilltop Securities, Inc.; and Bond Counsel, McMammon, Scotland & Baumann, LLC, have been selected in accordance with the requirements of Executive Order No. 26; and

WHEREAS: In connection with the issuance and sale of the Series 2019 Bonds, the Authority intends to enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with the Trustee, acting as dissemination agent, in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”); and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (not less than a majority of a quorum thereof affirmatively concurring) AS FOLLOWS:

Section 1. To accomplish the purposes and objectives of the Act, including the purchase and origination of Student Loans as authorized by the Act and as defined in the 2019 Indenture, and the refinancing of all outstanding Student Loan Revenue Bonds of the Authority issued under the 2009 Indenture, consisting of $450,000,000 Student Loan Revenue Bonds, 2009 Series A (the “Prior Bonds”), the Authority hereby authorizes the issuance of its Series 2019 Bonds issued as Student Loan Revenue Bonds, Series 2019, in the aggregate principal amount not to exceed $300,000,000 in one or more senior and subordinate Series, issued as fixed rate bonds. The Authority presently contemplates issuing the Series 2019 Bonds as (i) Senior Student Loan Revenue Refunding Bonds, Series 2019A (the “Series 2019A Bonds”), (ii) Senior Student Loan Revenue Bonds, Series 2019B (the “Series 2019B Bonds”; and together with the Series 2019A Bonds, the “Series 2019 Senior Bonds”) and (ii) Subordinate Student Loan Revenue Bonds, Series 2019C (the “Series 2019 Subordinate Bonds” and together with the Series 2019 Senior Bonds, the “Series 2019 Bonds”) but may alter the Series designations as may be approved by the hereinafter defined Authorized Authority Official and reflected in the First Supplemental Indenture.

The Series 2019 Senior Bonds shall constitute “Bonds” for all purposes of the 2019 Indenture and shall be issued on a parity basis with all other Outstanding Series of Bonds to be issued under the 2019 Indenture. The Series 2019 Bonds are the first series of Bonds and other obligations to be issued under the 2019 Indenture. The Series 2019 Subordinate Bonds shall constitute “Subordinate Obligations” for all purposes of the 2019 Indenture, the Principal Installments of which shall be payable on a subordinate basis to payment of all Principal Installments on the Outstanding Series 2019 Senior Bonds in accordance with the requirements
of the 2019 First Supplemental Indenture and without regard to whether Bonds of any other Series remain Outstanding in accordance with paragraph (ix) of Section 5.5(A) of the 2019 Indenture.

The Series 2019 Bonds shall be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, acting as representative of the group of underwriters, if any (the "Underwriter"), pursuant to the terms of one or more Bond Purchase Agreement(s) to be entered into by and between the Authority and the Underwriter (collectively, the "Bond Purchase Agreement") with an Underwriter's fee (excluding Underwriter's Counsel) not to exceed $7.54/$1,000 of Series 2019 Bonds issued. The Authority hereby acknowledges and agrees that Merrill Lynch, Pierce, Fenner & Smith Incorporated will transfer by assignment all of its rights and obligations to BofA Securities, Inc., a registered municipal securities dealer with the Municipal Securities Rulemaking Board. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee (each an "Authorized Authority Official" and, collectively, the "Authorized Authority Officials") are each hereby authorized to execute the Bond Purchase Agreement. The Series 2019 Bonds shall be dated, shall bear interest at the respective fixed rates, shall be payable as to principal, redemption premium, if any, and interest, shall be issued in the respective forms, shall be in the respective Authorized Denominations, shall be signed, authenticated and numbered, shall mature, shall be subject to redemption prior to maturity, and shall have such other details and provisions as set forth in the 2019 Indenture, as amended and supplemented by a First Supplemental Indenture to be dated as of the first date of the month the Series 2019 Bonds are issued (the "2019 First Supplemental Indenture"), by and between the Authority and the Trustee; provided, however, an Authorized Authority Official may modify the stated interest rate(s) of the Series 2019 Bonds, the maturity date(s) of any of the Series 2019 Bonds (including, without limitation, creating serial and term bonds, if any, and providing for cumulative and/or mandatory sinking fund payments on term bonds), and the redemption provisions of the Series 2019 Bonds subject to the following: (i) the final maturity of the Series 2019 Bonds shall not be after June 1, 2054; (ii) the optional redemption price for any Series 2019 Bond shall not exceed 103% of the principal amount thereof, and the initial call protection for any Series 2019 Bond shall not exceed 10 years, and (iii) the stated interest rate on the Series 2019 Senior Bonds shall not exceed 7.0% per annum and the stated interest rate on the Series 2019 Subordinate Bonds shall not exceed 8.5% per annum.

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the 2019 Indenture.

The Authority is authorized, together with the Trustee, to the extent necessary or appropriate, to take such actions and execute such documents as may be necessary or appropriate to qualify the Series 2019 Bonds with The Depository Trust Company, New York, New York, as book-entry obligations.

**Section 2.** The Series 2019 Bonds shall be limited obligations of the Authority, and shall be payable solely out of the Trust Estate as set forth in the 2019 Indenture, subject to the application thereof to the purposes and on the conditions permitted by the 2019 Indenture. The payment of the principal, redemption premium, if any, and interest on the Series 2019 Bonds shall be secured by a pledge and assignment of the Trust Estate as provided in the 2019 First Supplemental Indenture. Neither the State nor the Authority shall be obligated to pay the Series 2019 Bonds or the interest thereon except as so provided in the 2019 Indenture.

**Section 3.** No covenant, stipulation, obligation, or agreement herein contained or contained in the Bond Purchase Agreement, the 2019 Indenture (including the 2019 First
Supplemental Indenture) or the Continuing Disclosure Agreement, shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in an individual capacity. Neither the members of the Authority, nor any person executing the Series 2019 Bonds issued pursuant to this resolution and the Act, nor any officer nor employee of the Authority shall be liable personally on the Series 2019 Bonds by reason of the issuance or execution thereof. The Series 2019 Bonds shall not be in any way a debt or liability of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate), either legal, moral or otherwise, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate) shall be pledged to the payment of the principal, redemption premium, if any, or interest thereon. The issuance of the Series 2019 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or pledge any form of taxation whatsoever therefor.

Section 4. In order to satisfy the initial Parity Percentage Requirement set forth by the Rating Agencies rating the Series 2019 Bonds, the Authority hereby authorizes the transfer of an amount to be determined by an Authorized Authority Official as necessary to satisfy such requirement from its reserves, which aggregate amount shall not exceed $4,000,000, some or all of which shall consist of amounts transferred from the 2009 Indenture in connection with the refunding of the Prior Bonds, and any or all of the NJCLASS Life of Loan Servicing Reserves, the Guaranty Agency Operating Fund, the Direct Loan Servicing Fund or the NJBEST Scholarship Administrative Reserves. These amounts transferred to the 2019 Indenture shall be applied to originate Student Loans thereunder. The Authority shall replenish such reserves from Revenues and Recoveries of Principal on the Student Loans as provided under the 2019 Indenture.

Section 5. The Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2019 First Supplemental Indenture and the Series 2019 Bonds, substantially in the respective forms submitted to the Authority and made a part of this resolution as though set forth in full herein, are hereby approved. An Authorized Authority Official is hereby authorized to execute, acknowledge and deliver such documents with any changes, insertions and omissions (including, without limitation, insertion of the Loan Rates or the method of determination thereof in the 2019 First Supplemental Indenture) as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such documents and attest the same. The execution of any of such documents by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 5.

Section 6. The Acknowledgement of Servicing to be entered into by and between the Authority and the Trustee regarding the servicing of 2019 Student Loans (as defined in the 2019 First Supplemental Indenture), substantially in the form submitted to the Authority and made a part of this resolution as though set forth in full herein, is hereby approved. The Authorized Authority Officials are hereby authorized to execute, acknowledge and deliver such document with any changes, insertions and omissions as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such document and attest the same. The execution of such document by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 6.

Section 7. The Series 2019 Bonds shall be executed in the manner provided in the 2019 Indenture, and the same shall be delivered to the Trustee for proper authentication and delivery to the Underwriter upon instructions to that effect. The 2019 Indenture shall provide the terms and
Section 8. All covenants, stipulations, obligations and agreements of the Authority contained in this resolution and contained in the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2019 Indenture (including the 2019 First Supplemental Indenture) and the Acknowledgement of Servicing shall be deemed to be the covenants, stipulations, obligations and agreements of the Authority to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon the Authority and its successors from time to time and upon any board or body to which any powers or duties affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law. Except as otherwise provided in this resolution, all rights, powers and privileges conferred, and duties and liabilities imposed, upon the Authority or the members thereof by the provisions of this resolution, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2019 Indenture (including the 2019 First Supplemental Indenture), and the Acknowledgement of Servicing shall be exercised or performed by the Authority or by such members, officers, board or body as may be required by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2019 Indenture (including the 2019 First Supplemental Indenture), or the Acknowledgement of Servicing shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in his or her individual capacity, and neither the members of the Authority nor any officer executing the Series 2019 Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 9. The proper officers of the Authority are hereby further directed to cause the proceeds of the Series 2019 Bonds, together with other available Authority funds, if any, to be initially deposited and disbursed as provided in the 2019 Indenture (including the 2019 First Supplemental Indenture). To the extent the Authority pays any or all of the costs of issuance from other available funds of the Authority, the Authority may reimburse the expenditure of those funds from available funds on deposit in the Trust Estate, provided that said reimbursement complies with the requirements of the Internal Revenue Code of 1986, as amended, and court decisions interpreting the same and existing regulations, rulings, and other publications promulgated or released thereunder.

Section 10. In order to secure payment of principal of (on the scheduled maturity dates and/or sinking fund maturity dates) and interest on the Series 2019 Bonds (on the dates due) the Authority is hereby authorized to obtain one or more municipal bond insurance policies and to enter into commitments and agreements with respect thereto. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such municipal bond insurance policy in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such policy. The Authority is hereby further authorized to use proceeds of the Series 2019 Bonds or other available funds of the Authority to fund all or a portion of the premium payable to the issuer of the municipal bond insurance policy for such policy.

Section 11. The Authority, in consultation with the Treasurer of the State of New Jersey (the "Treasurer") and the Attorney General of the State of New Jersey (the "Attorney General"), is hereby authorized to purchase one or more financial guaranty insurance policies or surety
bonds for deposit to the Debt Service Reserve Fund established under the 2019 Indenture to satisfy the 2019 Reserve Requirement (as defined in the 2019 First Supplemental Indenture) for the Series 2019 Bonds, if any, each constituting a Funding Instrument within the meaning of the 2019 Indenture, with respect to any or all of the Series 2019 Bonds (the "Funding Instrument(s)"). Such Funding Instrument, if any, shall be issued in an amount not exceeding the 2019 Reserve Requirement for the Series 2019 Bonds, if an Authorized Authority Official, in consultation with the Treasurer and the Attorney General, determines that such Funding Instrument(s) can be obtained upon terms and conditions consistent with the Act and reasonably acceptable to the Authority. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such Funding Instrument(s), in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such Funding Instruments. Together with, or in lieu of, a Funding Instrument, the Authority is hereby further authorized to use proceeds of the Series 2019 Bonds or other available funds of the Authority to fund all or a portion of the 2019 Reserve Requirement for the Series 2019 Bonds.

Section 12. Wells Fargo Bank, National Association is hereby appointed (a) Trustee, Paying Agent, Registrar, and Authenticating Agent for the Series 2019 Bonds and (b) dissemination agent for the Series 2019 Bonds pursuant to the Continuing Disclosure Agreement.

Section 13. All actions of the Authority and its staff which have previously been taken with regard to the issuance of the Series 2019 Bonds and the NJCLASS Loan Program in respect of the Series 2019 Bonds are hereby ratified and approved.

Section 14. The Authorized Authority Officials are hereby designated to be the authorized representatives of the Authority, and each of them and other authorized representatives and designees are hereby authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do and cause to be done any and all acts and things necessary or proper for carrying out this resolution, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2019 Indenture (including the 2019 First Supplemental Indenture), the Acknowledgement of Servicing, and the issuance of the Series 2019 Bonds, including, without limitation, the substitution and approval of documents other than those approved and authorized to be executed by this resolution in order to conform to the same to the purposes of the Act and the intentions of the Authority as expressed herein and in the 2019 First Supplemental Indenture.

Section 15. The Preliminary Official Statement relating to the offering of the Series 2019 Bonds (the "Preliminary Official Statement"), substantially in the form presented to this meeting, is hereby approved, with any changes, insertions and omissions as may be approved by an Authorized Authority Official. The Authorized Authority Officials are each authorized to execute such documents as shall be necessary or desirable to evidence that the final Preliminary Official Statement in the form to be electronically posted and/or printed and distributed, is "deemed final" within the meaning of (and with the exception of certain information permitted to be omitted by) Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. The Authorized Authority Officials are each authorized to execute and deliver a final Official Statement relating to the Series 2019 Bonds (the "final Official Statement"), substantially in the form of the Preliminary Official Statement, with any changes, insertions and omissions as may be approved by said Authorized Authority Official. The execution of the final Official Statement by said Authorized Authority Official shall be conclusive evidence of any approval of such Official Statement in final form as authorized by this Section 15.
Section 16. Hilltop Securities, Inc., in its role as Financial Advisor, is hereby authorized to select, pursuant to a competitive solicitation process, (i) the printer for the Preliminary Official Statement and final Official Statement, and (ii) the verification agent for the refunding of the Prior Bonds.

Section 17. The Trustee is authorized to invest funds held under the 2019 Indenture in Investment Securities at the direction of an Authorized Authority Officer.

Section 18. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until ten (10) days after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor of the State for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

April 17, 2019
State of New Jersey  
Higher Education Student Assistance Authority  
4 Quakerbridge Plaza  
PO Box 545  
Trenton, NJ 08625-0545  
1-800-792-8670  
www.hesaa.org

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow  
Executive Director

FROM: Jerry Traino  
Chief Financial Officer

SUBJECT: Resolution 07:19 Approving the Appointment of Arbitrage Calculation Consultant

DATE: April 17, 2019

Background

Under the federal tax code, municipal bond issuers, including the issuers of student loan revenue bonds, are required to produce two types of arbitrage reports on a periodic basis, and remit any liability determined as a result of the calculations to the IRS. These reports are required at specific intervals during the life of a bond issue, including as of the date of final retirement. In the case of HESAA, these arbitrage compliance computation services are required for its student loan bond issues used to establish and maintain the New Jersey College Loans to Assist State Students (NJCLASS) Program and the Federal Family Education Loan Program (FFELP) Portfolio of Loans owned by the NJCLASS/FFELP Trust Estate. Due to the complexity of the federal tax code as it relates to arbitrage calculations for the structures of HESAA asset-backed bonds, which include variable rate bonds and interest rate exchange agreements, the services of a specialist in this area of accounting are required to ensure compliance. The responsibilities of the provider of these services include, but may not necessarily be limited to, those on the following list, which is excerpted from the Arbitrage Calculation Consultant RFP:

- Calculate applicable bond yield and student loan-yield for each of the Authority’s respective issues as requested by the Authority. Identify, and separately account for, all “Gross Proceeds” (as that term is defined in the Arbitrage Requirements) and “Acquired Program Investments” (i.e., the loans) allocable to each bond issue, including those requiring allocation analyses due to circumstances such as refunding, “transferred proceeds”
and/or “commingled funds”.

- Calculate each issue’s excess yield, if any, on student loans.
- Calculate each issue’s excess earnings, if any, on non-purpose investments, taking into account any available temporary periods, spending exceptions and exceptions for funds on deposit in a qualified reserve fund.
- Prepare clear and concise reports, for each issue.
- Deliver appropriate documentation required to support calculations.
- Provide an executive summary identifying the methodology employed, major assumptions, conclusions, and any recommendations for changes in the Authority’s record keeping.
- Assist the Authority as necessary in the event of an IRS inquiry.
- Provide assistance and consultation as necessary to retain records and documentation at least six years after the issue’s final maturity.
- Provide a professional opinion or certificate on the mathematical accuracy of all calculations performed. Such opinion or certificate is to include a statement that the calculation results are consistent with the requirements of the Arbitrage Requirements.
- (Optional) - Provide a legal opinion that the arbitrage calculations are done in a manner that is consistent with the Arbitrage Requirements or an explanation as to why such is not necessary.
- Perform the required yield reduction or yield adjustment calculations and provide documentation to support such calculations.
- Prepare the necessary forms, if any, which need to be filed by the Authority with the Internal Revenue Service in connection with making yield reduction or arbitrage payments.
- Consult with Authority staff and provide such other incidental advice and assistance as the Authority may deem necessary to ensure full compliance with the arbitrage restrictions imposed by the Arbitrage Requirements.

The Authority has previously issued RFPs for arbitrage compliance services.

At the present time, the Authority is seeking another term contract with a provider of arbitrage calculation services in order to maintain compliance with Arbitrage Reporting Requirements for all of its outstanding bond issues.

On March 4, 2019, HESAA issued an RFP for Arbitrage Compliance Computation Services, advertised the RFP in the Newark Star Ledger, the Courier News, the Home News Tribune and the Trenton Times and posted it to the HESAA website. This memo and the accompanyong Resolution 07:19 document the results of this effort.

In response to the RFP, two proposals were received from potential arbitrage compliance computation service providers, one was deemed non-responsive and the other was HESAA’s current provider, BLX Group (BLX).
HESAA thoroughly reviewed BLX’s response and found it demonstrates how BLX maintains an experienced professional staff with the requisite skills to perform the services HESAA requires.

BLX presently provides services for twenty-six student loan entities for which they have provided over 1,800 arbitrage rebate reports and nearly 1,400 API analysis reports. In addition, as the Authority’s current provider of arbitrage calculation services, BLX has established a track record of quality service at reasonable rates, as well as prompt and helpful responses to questions at no additional cost.

BLX does not charge fees based on hourly rates, rather fees are based on a per report basis. Additionally they do not charge for out of pocket expenses. Aside from a proposed modest increase in the per report cost for API analysis; which HESAA acknowledges is reasonable as the data analysis has become more complex in recent years, BLX’s overall fee proposal remains comparable to the current fee schedule BLX charges HESAA.

Additionally, HESAA found BLX’s proposal provided a high level of detail in its answers to the RFP questions, as well as helpful suggestions for minimizing arbitrage liability and the cost of compliance.

BLX is a wholly-owned subsidiary of Orrick Herrington & Sutcliffe, LLP, a leading national firm with recognized expertise in arbitrage compliance. This provides HESAA access to unlimited tax expertise and resources at no additional charge. Of note, those resources were made available in the past on short notice to respond to IRS requests for audits of two HESAA bond issues. In both cases, this service resulted in a resolution in favor of HESAA with a minimum of interruption to the Authority’s normal business.

**Recommendation**

Based on the factors cited above it is recommended that the Board approve the appointment of BLX Group as the Authority’s provider of arbitrage calculation services, as detailed in this memo, for the initial contract period of three years, with up to three one year extensions at the option of the Authority. The initial contract expiration date will be July 31, 2022.

Attachments
RESOLUTION 07:19

APPROVING THE APPOINTMENT OF ARBITRAGE CALCULATION CONSULTANT

Moved By: Mr. Robert Shaughnessy
Seconded By: Mr. Stephan Lally

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

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

WHEREAS: The term of the Authority’s most recent contract with a provider of arbitrage calculation services is set to expire; and

WHEREAS: On March 4, 2019, HESAA issued a request for proposal (RFP), seeking a firm interested in providing arbitrage calculation consulting services, advertised it in the Newark Star Ledger, the Courier News, the Home News Tribune and the Trenton Times and posted it to the HESAA website; and

WHEREAS: Two proposals were submitted, one of which was deemed non-responsive; and

WHEREAS: Based on a review of the responsive proposal from HESAA’s current arbitrage calculation consultant, BLX Group, LLC, staff determined that BLX Group, LLC maintains an experienced professional staff with the requisite skills to perform the services HESAA requires.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority appoints BLX Group, LLC, as the provider of arbitrage calculation consulting services to the Authority for a period of three years, with an initial expiration date of July 31, 2022, and subject to three additional one-year extensions at the option of the Higher Education Student Assistance Authority.

April 17, 2019
MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J Socolow
Executive Director

FROM: André Maglione
Acting Director, Client Services

SUBJECT: Resolution 08:19 Approving the Appointment of a Publisher for Financial Aid Publications and Materials

DATE: April 17, 2019

Background

The Higher Education Student Assistance Authority (HESAA) annually distributes a publication, Going to College in New Jersey, to college-bound students through coordination with secondary school counselors. Going to College in New Jersey is an 80-page publication that promotes awareness of higher learning opportunities in the State of New Jersey as well as State and federal financial aid programs. The publication includes individual features about higher education institution in New Jersey, as well as information on postsecondary programs of study, student aid resources, career planning, and life skills for college-bound students in the 11th and 12th grades.

Due to the expiration of HESAA’s current contract, on February 19, 2019 HESAA issued a Request for Proposals (RFP) to write, edit, design, print, produce, and distribute the publication, Going to College in New Jersey. The RFP was sent to three qualified publishers, posted on HESAA’s website and published in the Star Ledger, the Trenton Times, the Courier News and the Home News. HESAA received only one response to the RFP from the current vendor, Nautilus Publishing Company.

For the last ten years Nautilus Publishing Company has published Going to College in New Jersey to HESAA’s specifications and has continuously met HESAA’s expectations for design, printing, and distribution. While the total proposed cost to write, edit, design, print, produce, and distribute 85,000 copies of Going to College in New Jersey has increased since last year from $70,550 to $76,550, this is the first increase in five years. This cost also includes the e-book version of Going
to College in New Jersey, compatible with all electronic publication formats. The proposed cost for additional copies during the original press run is $0.58 per copy and after the original press run is $8,500 for 3,500 copies, $9,571 for 5,000 copies, and $11,561 for 10,000 copies.

Recommendation

It is recommended that the Board approve Resolution 08:19, appointing Nautilus Publishing Company to write, edit, design, print, produce, and distribute Going to College in New Jersey for an initial term of three years with two possible one-year extensions, at a cost not to exceed $76,550 for the first 85,000 copies and not to exceed $0.58 per copy during the original press run or $8,500 for 3,500 copies, $9,571 for 5,000 copies, and $11,561 for 10,000 copies after the original press run.

Attachment
RESOLUTION 08:19

APPROVING THE APPOINTMENT OF A PUBLISHER FOR FINANCIAL AID PUBLICATIONS AND MATERIALS

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

WHEREAS: The Higher Education Student Assistance Authority (HESAA) annually distributes Going to College in New Jersey to college-bound students; and

WHEREAS: HESAA’s current three-year contract and two one-year extensions has expired; and

WHEREAS: HESAA issued a Request for Proposals (RFP) to write, edit, design, print, produce, and distribute Going to College in New Jersey, which was sent to three qualified publishers, posted on HESAA’s website and published in the Star Ledger, the Trenton Times, the Courier News and the Home News; and

WHEREAS: HESAA received only one response to the RFP from the current vendor, Nautilus Publishing Company; and

WHEREAS: Nautilus Publishing Company has continuously met HESAA’s needs and HESAA has been satisfied with how Nautilus designs, prints and distributes this magazine on behalf of the Authority for the last ten years.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the award of a three-year contract with two possible one-year extensions to the Nautilus Publishing Company to write, edit, design, print, produce, and distribute Going to College in New Jersey at a cost not to exceed $76,550 for the first 85,000 copies and not to exceed $0.58 per copy during the original press run or $8,500 for 3,500 copies, $9,571 for 5,000 copies, and $11,561 for 10,000 copies after the original press run.

April 17, 2019
MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director

FROM: Arthur Quaranta
Controller

SUBJECT: Resolution 09:19 Approving the Second One-Year Extension of the Contract with Wells Fargo NA to Provide Depository Banking Services

DATE: April 17, 2019

Background

The Higher Education Student Assistance Authority ("HESAA" or the "Authority") engages a bank to perform Depository Banking Services on HESAA’s behalf, which means receiving payments made on all HESAA loan programs, including NJCLASS and the portfolio of defaulted loans held by HESAA as the designated New Jersey Federal Family Education Loan Program (FFELP) guaranty agency. Payments are made through the selected bank via ACH payments from multiple sources, checks processed through lockbox, and check payments received directly by the Authority.

As the result of a Request for Proposals, at its April 23, 2015 meeting, the HESAA Board appointed Wells Fargo NA as the provider of depository banking services for the Authority for a period of three years, with two possible one-year extensions at the option of HESAA.

Wells Fargo NA has established a track record of quality service, including assistance in implementation of technical improvements, as well as excellent customer service, by providing prompt and helpful responses at no additional cost whenever staff needs to communicate regarding lockbox banking issues. At its April 18, 2018 meeting the Board approved the first one-year extension for Wells Fargo NA to continue as the provider of
depository banking services and staff now recommends approving the second one-year extension of the contract with Wells Fargo NA.

Recommendation

It is recommended that the Board approve Resolution 09:19 Approving the Second One-Year Extension to the Contract with Wells Fargo NA to Provide Depository Banking Services.

Attachment
RESOLUTION 09:19

APPROVING THE SECOND ONE-YEAR EXTENSION TO THE CONTRACT WITH
WELLS FARGO NA TO PROVIDE DEPOSITORY BANKING SERVICES

Moved By: Dr. Jon Larson
Seconded By: Mr. Robert Shaughnessy

WHEREAS: The Higher Education Student Assistance Authority (HESAA) entered into a three-year initial contract with Wells Fargo NA to provide depository banking services with two optional one-year extensions; and

WHEREAS: At its April 23, 2015 meeting, as the result of a Request for Proposals, the HESAA Board appointed Wells Fargo NA as the provider of depository banking services for the Authority for a period of three years, with two possible one-year extensions at the option of HESAA; and

WHEREAS: Wells Fargo NA has established a track record of quality service, including assistance in implementation of technical improvements, as well as excellent customer service, by providing prompt and helpful responses at no additional cost whenever staff needs to communicate regarding lockbox banking issues; and

WHEREAS: At its April 18, 2018 meeting the Board approved the first one-year extension for Wells Fargo NA to continue as the provider of depository banking services; and

WHEREAS: The Authority desires to exercise its second option to extend the contract with Wells Fargo NA for one year.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority hereby approves the second one-year extension of its contract with Wells Fargo NA as the provider of lockbox banking services for the Authority.

April 17, 2019
MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
           Executive Director

FROM: Patricia Maske
       Director, Human Resources

SUBJECT: Resolution 10:19 Approving the First One-Year Extension of the Contracts Providing Temporary Employment Services

DATE: April 17, 2019

Background

In order to accomplish its mission of providing students and their families with financial and informational resources to pursue their education beyond high school, it is necessary for the Higher Education Student Assistance Authority (HESAA) to supplement its permanent workforce with temporary employees and consultants. To ensure that HESAA employs the most qualified temporary employees and consultants in the most cost effective manner, on February 22, 2016 HESAA issued three separate Requests for Proposals for Temporary Employment Services, one for Administrative, Office and Clerical; one for Finance; and one for Information Technology (IT). At its April 19, 2016 meeting, the Board approved Resolution 08:16 based on the evaluation committees’ recommendations. The contracts executed as a result of the RFPs are with J&J Staffing Resources, Careers USA, Robert Half Officeteam, Robert Half AccountTemps, Robert Half Technology, Tek Systems, and Likeminds. All of the contracts were for three years with two possible one-year extensions.

HESAA has been satisfied with the quantity and quality of candidates received from the selected vendors. If the primary vendor was not able to provide qualified candidates in the timeframe agreed to in their contract, HESAA moved to the secondary and, if necessary, the tertiary vendors, which does not happen often. As such staff is recommending that the Board approve the first one-year extension for all of the vendors. A listing of the vendor awards and rates is attached.
**Recommendation**

It is recommended that the Board approve Resolution 10:19 providing a one-year extension to each of the vendors HESAA engaged pursuant to the RFPs for Temporary Employment Services.

Attachments
RESOLUTION 10:19

APPROVING THE FIRST ONE-YEAR EXTENSION OF THE CONTRACT PROVIDING TEMPORARY EMPLOYMENT SERVICES

Moved by: Ms. Jean McDonald Rash
Seconded by: Ms. Christy Van Horn

WHEREAS: On February 22, 2016 the Higher Education Student Assistance Authority (HESAA) issued three separate “Request for Proposals for Temporary Employment Services: Administrative, Office & Clerical; Finance; and Information Technology (IT),” and

WHEREAS: On April 19, 2016 the Board approved contracts with seven temporary employment services vendors for a three-year period with two optional one-year extensions; and

WHEREAS: These vendors have provided qualified candidates; and

WHEREAS: It will be cost-effective to extend the current contracts for one year in accordance with the costs as provided.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves a one-year extension of the contracts with J&J Staffing Resources, Careers USA, Robert Half Officeteam, Robert Half Accountemps, Robert Half Technology, Tek Systems and Likeminds for the prices listed on the attached sheet.

April 17, 2019
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<tr>
<th>Job Title</th>
<th>J&amp;J</th>
<th>Careers</th>
<th>Officeteam</th>
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<tr>
<td>Administrative Assistant</td>
<td>$16.45</td>
<td>$20.00</td>
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<tr>
<td>Administrative Assistant - Executive</td>
<td>$20.30</td>
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<td>Clerk - Loans</td>
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<td>Clerk - Mailroom/Facilities</td>
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<td>Customer Service Representative (Day Bilingual Spanish)</td>
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<td>Customer Service Representative (2nd Shift)</td>
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<td>Customer Service Representative (2nd Shift Bilingual Spanish)</td>
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<td>Officeteam</td>
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## Combined Price Sheets - Finance

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<th>Job Title</th>
<th>Accountemps</th>
<th>J&amp;J</th>
<th>CareersUSA</th>
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MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director

FROM: Ruth A. Odom
Chief Information Officer

SUBJECT: Resolution 11:19 Approving the Transfer of FY 2019 Capital Fund Monies to Install an Emergency Back-up Generator to Protect HESAA’s Computer and Communications Equipment

DATE: April 17, 2019

Background

The Higher Education Student Assistance Authority (HESAA) maintains an on-site Data Center in which sensitive computer equipment, including an IBM mainframe computer, an IBM data storage unit, multiple Dell servers, CISCO network routers/switches, and a Voice Over IP telephone system are housed on a raised-floor computer room in our Quakerbridge Plaza office complex. In addition, there is a communications room which houses HESAA’s core routers, switches, and data circuits. The communications room provides critical infrastructure to support email, telephone, internet service, and other HESAA data exchanges.

Due to inclement weather, HESAA has experienced multiple power outages over the last decade, including a multi-day outage as a result of Hurricane Sandy. These outages have led to delays in HESAA’s processing of grants, scholarships, and student loans for New Jersey students and families. Loss of power results in the outage of communication channels, including the HESAA website, email, and telephone systems. Also, these outages have resulted in damage to HESAA equipment at a cost of approximately $70,000 over the past decade.

To avoid these outages in the future, staff received a proposal from HESAA’s landlord, Quakerbridge Partners LLC, to purchase and install a 350 KW gas-powered generator at a cost of $400,964.50. Additionally, HESAA will need to pay $15,000 directly to Hamilton Township for
mandatory permits associated with installing the generator equipment, bringing the total estimated cost for this project to $415,964.50. The generator will provide power for the computer room, communications room, emergency lighting, restrooms, and break room in Building 4.

In the HESAA State Fiscal Year (FY) 2019 capital budget that was approved by the Board at its July 25, 2018 meeting, HESAA allocated $200,000 towards the purchase and installation of a generator. To fund the additional costs for this procurement, staff has identified line-items in the FY 2019 capital budget that were allocated but not expended. Specifically, staff requests the Board’s approval to transfer $100,000 earmarked for software purchases and $116,000 earmarked for equipment replacement, which we would allocate instead to the procurement and installation of an emergency back-up generator and the cost of permits from the Township.

**Recommendation**

It is recommended that the Board approve Resolution 11:19 approving the transfer of monies originally designated for software ($100,000) and equipment replacement ($116,000) to procure and install an emergency back-up generator and pay for mandatory permits.

Attachment
RESOLUTION 11:19

APPROVING THE TRANSFER OF FY 2019 CAPITAL FUND MONIES TO INSTALL AN EMERGENCY BACK-UP GENERATOR TO PROTECT HESAA’S COMPUTER AND COMMUNICATIONS EQUIPMENT

Moved by: Ms. Maria Torres
Seconded by: Mr. Michael Scardina

WHEREAS: The Higher Education Student Assistance Authority (HESAA) runs a Data Center housing sensitive computer equipment and a communications room that provides critical infrastructure to support email, telephones, internet and data exchange services for HESAA; and

WHEREAS: There have been multiple power outages over the last decade, including a multi-day outage as a result of Hurricane Sandy, which led to delays in HESAA’s processing of grants, scholarships, and student loans for New Jersey students and families as well as the loss of communication channels, including the HESAA website, email, and telephone systems, and approximately $70,000 worth of equipment damage; and

WHEREAS: To avoid these power outages in the future staff received a proposal from HESAA’s landlord, Quakerbridge Partners LLC, to purchase and install a 350 KW gas-powered generator for a total cost of $415,964.50, including the cost of permits; and

WHEREAS: The HESAA State Fiscal Year 2019 capital budget provides $200,000 toward purchasing and installing a generator; and

WHEREAS: The HESAA State Fiscal Year 2019 capital budget provides $100,000 software purchases and $116,000 for equipment replacement which have not been expended.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the transfer of $100,000 originally designated for software purchases and $116,000 originally designated for equipment replacement in the HESAA State Fiscal Year 2019 capital budget to be used instead to procure and install an emergency back-up generator and pay for mandatory permits.

April 17, 2019
MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow, Executive Director

FROM: Jennifer Azzarano, Director of Communications

SUBJECT: Resolution 12:19 - Approving the Higher Education Student Assistance Authority 2018 Annual Report Pursuant to Executive Order 37 (Corzine).

DATE: Apr. 17, 2019

Background

Paragraph 2 of Executive Order 37 (Corzine) requires each State authority to prepare a comprehensive report concerning the authority’s operations on an annual basis.

Executive Order 37 requires that the annual report set forth the significant actions of the authority from the previous year, including a discussion of the degree of success the authority had in promoting the State's economic growth strategies and other policies. The report is also required to include the authority’s financial statements and to identify internal financial controls at the authority that govern expenditures, financial reporting, procurement, and other financial matters and transactions. Pursuant to Executive Order 37, the report shall also contain a certification by the appropriate senior staff member(s) that during the preceding year the authority has, to the best of their knowledge, followed all of the authority's standards, procedures, and internal controls, or, where such certification is not warranted, shall set forth the manner in which such controls were not followed and a description of the corrective action to be taken by the authority.

The Higher Education Student Assistance Authority (HESAA) has prepared the attached 2018 Annual Report in compliance with Executive Order 37.
**Recommendation**

It is recommended that the Board approve Resolution 12:19 Approving the Higher Education Student Assistance Authority 2018 Annual Report pursuant to Executive Order 37 (Corzine) and that the Board authorize staff to submit the 2018 Annual Report to the Governor’s Authorities Unit and post it on HESAA’s website.

Attachments
RESOLUTION 12:19

APPROVING THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2018 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (CORZINE)

Moved by: Mr. Stephan Lally
Seconded by: Dr. Zakiya Smith Ellis

WHEREAS: Paragraph 2 of Executive Order 37 (Corzine) requires each State authority to prepare a comprehensive report concerning the authority’s operations on an annual basis; and

WHEREAS: Executive Order 37 requires that the annual report set forth the significant actions of the authority from the previous year, including a discussion of the degree of success the authority had in promoting the State's economic growth strategies and other policies; and

WHEREAS: The report is also required to include the authority’s financial statements and to identify internal financial controls at the authority that govern expenditures, financial reporting, procurement, and other financial matters and transactions; and

WHEREAS: Pursuant to Executive Order 37 the report shall also contain a certification by the appropriate senior staff member(s) that during the preceding year the authority has, to the best of their knowledge, followed all of the authority's standards, procedures, and internal controls, or, where such certification is not warranted, shall set forth the manner in which such controls were not followed and a description of the corrective action to be taken by the authority; and

WHEREAS: The Higher Education Student Assistance Authority (HESAA) has prepared the attached 2018 Annual Report in compliance with Executive Order 37.

NOW THEREFORE, BE IT:

RESOLVED: That the Higher Education Student Assistance Authority Board approves the attached Higher Education Student Assistance Authority 2018 Annual Report; and be it further

RESOLVED: That the attached Higher Education Student Assistance Authority 2018 Annual Report shall be submitted to the Governor’s Authorities Unit and posted on the HESAA website.

April 17, 2019