

## **MINUTES**

### **HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY**

October 17, 2006

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on October 17, 2006 at 10:00 a.m. at the HESAA offices in Hamilton.

**PRESENT:** Mr. Michael Angulo, Esq.; Mr. James Avery (teleconference); Dr. Harvey Kesselman; Dr. Joann LaPerla-Morales; Ms. Jean McDonald Rash; Ms. Rossy Matos; Ms. La-Trenda Ross; Mr. Warren Smith, Esquire, Ms. Nancy Style, Treasurer's Designee; and Ms. Maria I. Torres, members.

**ABSENT:** Mr. Raymond Castor; Ms. M. Wilma Harris and Mr. Kevin Collins

#### **CALL TO ORDER**

Chairman Smith called the meeting to order at 10:00 am and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Smith asked Ms. Merci Powell to call the roll.

Mr. Smith welcomed the Board members, Marguerite Beardsley, CHE; Melissa Hager, Esquire, Deputy Attorney General; Sister Paula Marie Buley, IHM, Seton Hall University; Student Advisory Committee Members; La-Trenda Ross, Chair, Student Advisory Committee and Mada Lieberman, Secretary of State office.

He advised members of the public who wished to speak to register with Ms. Mercedes Powell.

Deputy Attorney General Melissa Hager swore-in new Board member La-Trenda Ross, Student Advisory Committee. Ms. Ross thanked HESAA for its work on behalf of the Student Advisory Committee and students across the state.

#### **CONSIDERATION OF THE MINUTES OF THE JULY 17, 2006 MEETING:**

A motion to approve the minutes of the July 17, 2006 meeting was made by James Avery and seconded by Harvey Kesselman. The minutes were unanimously approved.

#### **REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 15:06 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2008**

Harvey Kesselman made the following presentation:

I am pleased to report that the budget committee of the HESAA Board met on October 10, 2006 to review last year's budget policy statement, various FY 2008 Full-Time Tuition Aid Grant models reflecting different levels of award increases, as well as anticipated FY 2008 funding requirements for all other HESAA programs funded through State appropriations.

As in previous years, the Board Budget Policy Statement for FY 2008 reflects both general policy recommendations as well as funding policy recommendations. In formulating this budget policy statement, the committee was mindful of its role as student advocate to achieve full funding of the full-time TAG Program, while recognizing that the State of New Jersey continues to face fiscal challenges.

### ***Full-Time TAG Program***

For the past three years, full-time TAG funds have been distributed as specified in budget footnote language. During each of these academic years, students who demonstrated the highest need (NJEIs below 1500) received awards based on the prior year's tuition levels (a one-year lag between tuition and award values), while all other students received awards reflecting a three-year lag compared to tuition levels.

Last year the Board discussed the gap that has developed between the full-time TAG award values in the first and second NJEI cells. As you may recall, this linearity issue was addressed in our funding recommendation for the 2006-07 academic year, which established the maximum TAG award at a one-year lag compared to tuition levels; awards in the second and third cells reflected a two-year lag compared to tuition levels, while all other awards reflected a three-year lag. Due to the State's financial difficulties, it was not possible for the legislature and the governor to address our request during FY 2007.

However, during FY 2007, an additional \$5.0 million was provided by Governor Corzine and the Legislature to partially offset 2006-07 tuition increases for students in the first NJEI cell who demonstrated the highest need. The HESAA Board appreciates the additional funds the State provided to these students. While these funds benefited students with estimated average family incomes of \$14,600, students in the second NJEI cell, who have estimated average family incomes of \$22,400, are receiving TAG awards that are significantly lower than those received by students in the first NJEI cell.

The budget committee strongly believes that during FY 2008 the gap between award values in the first and second NJEI cells should be narrowed. This will help ensure access for all needy students, recognizing that students in the second NJEI cell have estimated average family incomes of \$22,400.

To accomplish this, we are recommending to HESAA's Executive Director, Michael Angulo, that the full-time TAG Program be funded at a level that will achieve the following:

- Maintain the one-year lag in award values for students demonstrating the highest need (NJEIs below 1500) by increasing awards to reflect 2006-07 tuition levels.

- Recognize the high level of need demonstrated by students in the second NJEI cell (NJEIs between 1500 and 2499) by increasing awards based on 2005-06 tuition levels. As noted above, this would reduce the lag between award values and tuition levels from three years to two, thus narrowing the gap that currently exists between awards in the first and second NJEI cells.
- Maintain the current three-year lag compared to tuition by providing proportionate increases based on 2004-05 tuition levels for students with NJEIs above 2499.
- Recognize a likely increase in the number of eligible recipients to include 1,375 additional new awards. This number includes new students who will qualify as a result of need analysis changes as well as anticipated new awards resulting from an increase in applications.

The projected cost to fund these award increases and provide for 1,375 additional new awards at these levels is \$236.275 million, an increase of \$18.809 million over the FY 2007 appropriation.

That is the Full-Time award recommendation.

#### Part-Time TAG for County College Students Program

The committee recommends \$5.441 million in funding to continue the Part-Time Tuition Aid Grant Program for County College Students. This represents an increase of \$500,000 over the FY 2007 appropriation.

#### Outstanding Scholars Recruitment Program

During FY 2007, the OSRP appropriation did not fund a freshman cohort. The committee recommends an increase of \$5.782 million for the Outstanding Scholars Recruitment Program (OSRP) to restore funding to the level required to support four cohorts.

#### NJ STARS Program/NJ STAR II Program

The committee recommends an increase of \$800,000 to support all students who meet NJ STARS and NJ STARS II eligibility requirements.

#### Veterinary Medical Education Program

The Veterinary Medical Education program was discussed at some length at the Budget Committee meeting. The committee recommends restoring \$722,000 in appropriations necessary to fund contract seats for New Jersey residents seeking to attend out of state schools of veterinary medicine, keeping in mind, we do not have any veterinary schools in New Jersey. Currently, there is no legal obligation for program participants to perform service in New Jersey in return for the State support of these contract seats. The committee recommends that HESAA consider incorporating a year for year service obligation so that the State directly benefits from its investment in these students.

#### All Other HESAA Programs Funded through State Appropriations

The committee recommends level funding for all other programs administered by HESAA that require a State appropriation.

That reflects the summary of the discussions that took place at the October 10th meeting.

Warren Smith thanked Dr. Kesselman. At this time, Sherry Fox stated that the Budget Committee asked her to share with the Board highlights of a presentation that was made at last week's Budget Committee meeting, outlining federal need analysis changes and the potential impact on New Jersey 2007-08 tuition aid grant expenditures. Ms. Fox made the following presentation:

In the early 1990's, the U.S. Department of Education, in consultation with the states, developed a single application, called the Free Application for Federal Student Aid, or FAFSA. This action was taken to simplify the application process and support access. The information required to administer both federal and state aid programs is collected on this form.

In 2005, Congress passed the Higher Education Reconciliation Act (HERA) which contains provisions that mandate changes to the federal need analysis formula used to calculate the federal Expected Family Contribution.

Each year changes to the federal methodology are evaluated to determine their potential impact on the Tuition Aid Grant Program because New Jersey's state-specific calculation, known as the New Jersey Eligibility Index, or NJEI, is modeled on the federal need analysis formula.

Over time, the NJEI calculation has been modified to:

- Recognize the unique financial circumstances of New Jersey's families
- Fulfill the legislative intent of providing TAG awards to both low- and middle-income families, while remaining within annual appropriations

In preparation for the fiscal year 2008 budget cycle, HESAA evaluated the cost of incorporating each of the federal need analysis changes into the NJEI using 2006-07 award values. This cost analysis would be higher at 2007-08 award levels.

Based on this evaluation, three of the federal need analysis changes that support equity will be incorporated into the 2007-08 NJEI calculation.

1. Students whose parents meet income guidelines and tax filing requirements are automatically considered to be the neediest students. These students have a zero NJEI and receive a maximum TAG award.
  - In 2006-07 the maximum income to qualify for the zero EFC was \$16,000. This was subsequently increased to \$20,000 mid-year. To ensure consistency between applicants eligible for state and federal funds, the \$20,000 income maximum was also applied to all state applicants. During 2007-08, families with incomes of \$20,000 or less who meet the tax filing requirement will continue to qualify for maximum awards.

2. To qualify for the simplified needs test, which excludes assets from the need analysis calculation, as well as the automatic zero NJEI, certain income and tax filing requirements must be met. Prior to the HERA, both the parent and the student had to meet these tax filing requirements. Effective for academic year 2007-08, only the parents must file or be eligible to file the required tax return. This means that the number of applicants qualifying for the simplified needs test and automatic zero NJEI will increase.
3. In 2006-07, the FAFSA required families who owned small businesses to report the net business value. This information was considered in determining eligibility.
  - The HERA excludes the net value of a family owned and controlled business with 100 or fewer full-time or full-time equivalent employees from the federal need analysis calculation. This means that the value of businesses owned by families that meet these criteria will no longer be collected on the FAFSA. Therefore, HESAA must exclude these assets from the state need analysis calculation.

By implementing these three need analysis changes, an additional 375 students will qualify for TAG, and other current recipients will qualify for higher TAG awards. The estimated cost at 2006-07 award levels is an additional \$2.2 million. This cost was factored into the proposed 2007-08 TAG Tables that were presented to the Board Budget Committee.

The HERA also mandated additional changes to the federal need analysis calculation. The cost of incorporating these changes into the NJEI calculation was determined to be prohibitive. If all of the federal need analysis changes were implemented, an additional \$18 million at 2006-07 award levels would have to be added to the TAG Table before incorporating any 2007-08 award increases.

After Ms. Fox's presentation a motion to approve the Board Budget Policy Statement for Fiscal Year 2008 was made by Harvey Kesselman and seconded by James Avery. The motion was passed unanimously with one abstention, Nancy Style, Treasurer's Designee.

**RESOLUTION 16:06 ADOPTING PROPOSED AMENDMENTS TO THE NJCLASS REGULATIONS, N.J.A.C. 9A:10-6.3, 6.4, 6.11, 6.12, 6.13 AND 6.14.**

Ms. Tera Gervasio presented this item to the Board.

HESAA is responsible for the administration of NJCLASS pursuant to N.J.S.A. 18A:71C-21 et seq. NJCLASS is a state supplemental loan program available to undergraduate, graduate and professional school students with the main objective of making affordable student loans to students with additional unmet need.

In 1996, HESAA initiated an NJCLASS loan program directed to graduate and professional students utilizing a variable interest rate. In light of the current environment of rising interest rates, HESAA finds it beneficial to utilize a fixed rate instrument to assist graduate and professional students and provide these borrowers with a loan program that provides additional

funding at the lowest possible cost to meet their educational goals. The proposed regulatory amendments provide for the implementation and administration of this fixed rate program. Eligibility criteria for the new NJCLASS Graduate/Professional Student program are similar to the eligibility criteria previously utilized by the Variable Rate Program.

The regulations currently authorize an NJCLASS consolidation loans program to be offered by HESAA. In 2005, HESAA initiated a pilot NJCLASS loan consolidation program to assist borrowers with high loan balances and provide them with longer repayment terms allowing for lower monthly payments. The pilot NJCLASS program allows borrowers with several NJCLASS loans to lock in one fixed interest rate. Borrowers with outstanding balances between \$30,000 and \$60,000 are provided repayment terms of 25 years, while borrowers with balances exceeding \$60,000 can obtain repayment terms of 30 years. The proposed regulations outline the NJCLASS Consolidation program's eligibility criteria, interest rates and repayment terms.

In response to constituent needs, HESAA is aiding families by providing a longer repayment term for the fixed rate loan program. The repayment term for loans disbursed on or after June 1, 2006 has been extended from 15 years to 20 years. The proposed amendments provide for this service.

HESAA has also amended the regulations to more closely mirror the unemployment deferment periods offered by the federal student loan program.

The 60-day legislative review period for this rule expired on August 15, 2006, with no comments received and the public comment period expired on September 15, 2006 with no comments received.

Ms. Gervasio recommended that the Board approve Resolution 16:06 Adopting Amendments to the Regulations Governing the NJCLASS program.

A motion to approve the adoption was made by Nancy Style and seconded by Maria Torres. The resolution was unanimously approved.

## **EXECUTIVE ORDER 37 BRIEFING**

Robin Bridges Johnson presented the following PowerPoint presentation on Executive Order 37 to the Board:

On September 25, 2006, Governor Corzine signed Executive Order 37 implementing a series of reforms to increase the transparency, efficiency and accountability of New Jersey's independent authorities. E.O. 37 addresses the following topics:

- Reporting Requirements from the Authorities to the Governor's Office
- Responsibilities of Authority Boards
- Enhanced Procurement Procedures

## **Reporting Requirements**

### **Periodic Meetings**

The Office of Economic Growth (OEG) will be presenting the State's economic growth strategies and goals at policy coordination meetings for authorities to incorporate into their capital plan development process.

### **Capital Spending Plans**

HESAA will be required to submit its capital plan to the OEG and Governor's Authorities Unit annually for review and discussion.

### **Annual Reports**

HESAA will be required to prepare an annual report setting forth the significant actions of the authority from the previous year, regarding the degree of success the Authority had in promoting the State's economic growth strategies and other policies.

The Annual Report shall also contain HESAA's financial statements and identify internal controls at HESAA that govern expenditures, financial reporting, procurement and other financial matters and transactions.

The report shall contain certification by HESAA's Executive Director and Chief Financial Officer that during the preceding year HESAA has followed its associated standards, procedures and internal controls, and the corrective actions to be taken to address any deficiencies.

## **Responsibilities of Authority Boards**

- Ensure that appropriate financial controls are in place at the authority and that an audit committee has been appropriately impaneled to the extent required by Executive Order No. 122 (2004);  
**HESAA's Board is in full compliance.**
- Maintain procurement policies and procedures consistent with E.O. 37 and statutory law concerning competitive bidding;  
**E.O. 37's procurement standards mirror State guidelines, which HESAA has utilized since its inception.**
- Ensure compliance with all legislation that prohibits the awarding of contracts to businesses that have made disqualifying political contributions;  
**HESAA's Board is in full compliance.**
- Establish Ethics Policies consistent with the laws and Executive Orders;  
**HESAA is in full compliance with all State Ethics Commission requirements.**
- Board members and senior staff are required to certify as to any business dealings they and their family have had with HESAA during the previous year;  
**HESAA Board Members and senior staff currently certify to this information in their Financial Disclosure Statement.**

## Enhanced Procurement Procedures

- HESAA is required to promulgate procedures for the public advertising of procurement contracts;  
**HESAA's statute and procedures require advertising for procurement in excess of its public bid threshold. This threshold is currently \$29,000, as set by the State Treasurer, for goods and services that are not purchased under State contract.**
- HESAA will be required to post its procurement advertisements on its website, as well as the State's Office of Information Technology website once it is created.
- In accordance with State policy, and particularly Executive Order No. 34 (2006), the procurement process shall include efforts to ensure equal opportunity for minority-owned, women-owned, and small business enterprises;  
**E.O. 34 creates the Division of Minority and Women Business Development. As this Division establishes rules and procedures HESAA will comply.**
- Requires establishment of an evaluation committee prior to the receipt of any proposals;  
**HESAA currently establishes qualified evaluation committees for each procurement.**
- The analysis factors leading HESAA to award the contract to a particular firm shall be memorialized, in the proposed resolution awarding the contract;  
**HESAA will obtain guidance from the Governor's Authority's Unit as to whether this provision requires all procurements to be approved by HESAA's Board by resolution as approval is not required by HESAA's enabling legislation.**
- For professional services rendered in connection with bond sales, related financial instruments, and litigation matters, where similar services are expected to be required on numerous occasions over a period of time, the procedures and criteria set forth herein may be used to create a pre-qualified group or "pool" of potential contract partners for a term not to exceed two years.  
**HESAA currently utilizes the "pool concept" for co-managers of its bond deals.**
- The provisions concerning public advertisement and competitive processes shall not apply in the following limited circumstances:



- a. Where the contract price is below the bid threshold;
  - b. In cases of unforeseen life, safety, or health emergencies where the public exigency requires that services or products be purchased immediately;
  - c. Sole-source awards made when there is only one vendor capable or available to provide the goods or services;
  - d. Contracts with the federal or any state government or any agency or political subdivision thereof;
  - e. Where a firm has brought an innovative idea to the authority, a request for proposals cannot be constructed without communicating the new idea, and the procurement would not benefit from a competitive selection process;
  - f. Where State or federal statutory law requires a different process than that set forth herein; and
  - g. Where the authority has received authorization from the Governor's Authorities Unit.
- Where one of the above exceptions is invoked, the proposed resolution concerning the contract shall set forth the justification for invoking the exception and the authority's executive director shall certify that circumstances warrant application of the exception.
  - HESAA is in compliance with these standards through the HESAA Board approved Waiver of Bid Advertising procedures.

The packet Ms. Johnson handed out provided the press release, a copy of Executive Order 37 and a copy of the presentation.

Harvey Kesselman questioned how one determines a Sole-source award when there is only one vendor capable or available to provide the goods or services. Michael Angulo addressed this question and explained that the sole-source award will typically be determined by the type of work being sought. There are entities, especially in the financial aid industry, where there are unique programs for which we need services and ideas that could not be disclosed in an RFP without infringing on a business-innovative idea. Mr. Angulo stated that where it is in the best interest of our students and in the best interest of our families we serve, those issues will be presented to the Governor' Authorities Unit and we will advocate whether it is in the best interest of the Authority and the State to go forward.

## **STATE ETHICS COMMISSION'S BRIEFING**

Marnie Grodman presented the State Ethics Commission Mandatory Annual Ethics briefing to the Board. This year instead of everyone having to attend training on ethics which was

mandatory last year pursuant to Executive Order 41, the State Ethics Commission has provided the following ethics briefing to be read to all state employees and special employees:

- Gifts and Favors. There is a zero tolerance policy for receipt of gifts. You may not accept any gift, favor, service or thing of value from someone who conducts business with your agency. Gifts of food or flowers must be turned in to your agency Ethics Liaison Officer (ELO) for donation to charity. The only exceptions are snacks at meetings or trinkets of nominal value, such as pens or calendars.
- Attendance at Events: Honoraria, Activities, and Expenses. You may not be “wined and dined” by people who conduct business with your agency. If you are having a meal with someone who does business with your agency, you must pay for your meal. You must obtain approval from your agency ELO before attending events that you are invited to because of your official position that are sponsored by someone outside of government. You may not accept honoraria. Official travel reimbursements require prior approval from your agency.
- Compensation for Official Duties. Your paycheck is your only permitted compensation. You may not accept any other compensation for performing your job. You may not “moonlight” without the approval of your agency.
- Outside Employment, Business Interests and Political Activity. You must disclose to your agency any outside employment, business interests and political activities. Prior approval is required for outside employment and business interests. You must not use State time, personnel or resources for any outside activities, political activities or second jobs.
- Conflicts of Interest. In the course of your job, you may not be involved in any matter in which you, your family, or your close friends have personal or financial interests that conflict with the proper discharge of your official duties. You should remove yourself from the matter and ask someone else to perform the State task.
- Exploitation of Official Position. You may not use your position to secure a job, contract, governmental approval or special benefit for yourself, a friend or family member.
- Prohibition on Use of Confidential Information. You may not accept employment or engage in any activity that may require or induce you to disclose confidential information acquired through your position.
- Nepotism. You may not hire, promote, or supervise a relative.
- Post-Employment Lifetime Restrictions. After you leave public employment, you may not represent or assist a person concerning a particular matter if you were substantially and directly involved in that particular matter while employed by the

State. You may not use or disclose any information not generally available to members of the public, gained during the course of your employment.

This briefing addresses some of the most frequently raised ethics issues.

You are also responsible for reading and understanding the Uniform Ethics Code, your department's ethics code, and the plain language ethics guide.

Warren Smith asked whether HESAA staff also received the briefing. Ms. Grodman stated that it has already been read to HESAA Directors, who will read and distribute it to the rest of the staff. Michael Angulo, Executive Director, certifies once a year that everyone at HESAA including, the Board members and staff, have attended training. HESAA will have training acknowledgment sheets for everyone to sign once they have heard it to keep on file, as documentation for the certification Mr. Angulo will make by January 1, 2007. Ms. Grodman will forward a copy of the briefing to the Board members who were not at the meeting, and will also read them the briefing over the telephone.

## **PUBLICATIONS UPDATE**

John Iacovelli gave the following update to the Board:

There have been recent developments with the Authority's major publications. As the Senior Director of Client Services and Marketing, one of my major responsibilities is the marketing of our products and services along with coordinating HESAA's extensive outreach initiatives. These publications are critical in promoting higher education in New Jersey and serving a variety of constituents. Promoting access and affordability for a higher education is of the highest priority for HESAA and two publications, Going to College in New Jersey and Life 101, are key tools in meeting this objective. The latest versions of each are provided.

For college-bound students, their parents and the High School Counselor community, Going to College in New Jersey in NJ is in great demand each year. Two weeks ago HESAA distributed over 90,000 copies to approximately 350 of New Jersey's high schools. The Authority averages 150,000 magazines in circulation each year.

Targeted directly to high school students, Life 101 takes a different and unique approach to engender interest in the financial aid process by informing students that higher education is affordable. Packed with information about State and Federal aid programs, Life 101 showcases celebrities from the world of sports and entertainment who emphasize the importance of higher education in their own careers. Also included are articles on careers, money management and life skills. The initial distribution is 130,000 copies to NJ high schools.

Financial literacy and default aversion are hallmarks of HESAA's services to our students. The publication Real Money 101 was designed as the essential tool used by the Authority to promote financial literacy throughout the state. This booklet is the centerpiece for the Authority's money management curriculum project, which teaches financial literacy to students at our New Jersey

schools. Last year the Authority conducted nearly 100 of these sessions reaching over 4,000 students.

To reach high school and county college administrators, as well as the public, regarding our newest program HESAA utilizes NJ STARS and NJ STARS II brochures.

HESAA's State and Federal Financial Aid Programs brochure provides the public with valuable information about the vast array of federal and state aid programs all organized for the family's use when considering their eligibility for student aid.

No State tax dollars were used in the design or production of these materials. All HESAA publications support our mission and promote our products and services to the variety of constituents we serve.

After Mr. Iacovelli's presentation, Mr. Smith stated that he would like to distribute these packets to the members of the Commission on Higher Education at its next meeting.

La-Trenda Ross raised a question concerning NJ STARS. She stated that students do not realize they can take 12 college level courses and one remedial course and still receive NJ STARS.

Fran Andrea responded and explained that for the NJ STARS program, especially in its start up year, the authority staff worked very closely with the campus financial aid office staff and other staff members of the various community colleges to provide guidance and information regarding the program. The structure of the statute at this juncture is that the student can take 12 credits and one remedial course and be considered a NJSTARS student. Ms. Andrea explained that HESAA worked very hard over the last year with members of the community and the campuses to ensure that information is circulated directly to students and that, hopefully, with the ability of the colleges to work closely with HESAA and with the workshops that HESAA has been doing, and the presentations that we are doing, that information is now filtering down to many more students than when the program initially began.

Harvey Kesselman asked what would happen if a student took two remedial classes to which Ms. Andrea responded that the student is still considered an NJ STARS but won't be funded until the next term as long as they are taking 12 credits, non-remedial courses.

## **EXECUTIVE DIRECTOR'S REPORT**

E. Michael Angulo gave the following report to the Board:

Good morning Mr. Chair, members of the board, ladies and gentleman.

I also want to acknowledge and thank the many students in attendance here today. Your involvement is extremely important in the financial aid process, and please take advantage of this opportunity to observe how government works. In light of all the Executive Orders and Ethics compliance requirements I firmly believe you are observing good government. I hope that your

involvement continues, since we are here to serve you and your families. Don't ever be intimidated by this process because, again, we work for you.

Summers have always been the busiest time for the Authority and the institutions we serve, this year was absolutely no exception. Program participation rates are at an all time high while service continues at the top quality, professional levels expected by our constituents. I would like to commend the Authority staff for their dedication to serving the needs of our students, parents, and higher education institutions. Our success has truly been an agency wide accomplishment.

To better appreciate the extensive growth in the Authority's business, let me share some program statistics with you.

The Grants and Scholarships Unit has experienced an increase of over 11,600 FAFSA applications resulting in 2,000 additional applicants being offered a TAG award this year. Overall, this Unit processed in excess of 324,000 FAFSA forms this year – a truly remarkable accomplishment given the Unit continues to operate at reduced staffing levels.

The volume of Federal Family Education Loan Programs (FFELP) loans remains encouraging. The past 12 months we welcomed back a couple of institutions, most recently Rowan University to the list of FFELP institutions we serve. We anticipate adding additional institutions over the next 12 months. As you are aware, our revenue generating operations support all State grant and scholarship administration including that of the EOF program, and provide the resources for all HESAA early outreach and intervention programs. The materials that John Iacovelli presented, which we generate, publish, produce and mail out, all of that is paid for by our operating revenue not out of State financial assistance dollars. Continuing growth in our FFELP loan portfolio is critical to supporting our mission of providing students and families with the financial and informational resources to assist students in pursuing their education beyond high school. This is all the more essential since State appropriated administrative support has consistently declined over the last several years.

The NJCLASS loan program continues to experience unprecedented growth, increasing 110% from June through September this year compared to last year. We anticipate surpassing the \$200 million mark in loan volume by the close of this cycle. Through the efforts of our Finance Division working with our investment banker, UBS Securities, HESAA was able to achieve the lowest fixed supplemental interest rate – 5.9% with auto debit - in the nation. The federal PLUS loan rate is 8.5% so you can see the disparity in that comparison. This is yet another way HESAA uses its revenue to assist our students and families.

The considerable volume in NJCLASS, coupled with the increases in the other HESAA programs specified above, has proved a challenge to our "1-800" hotline. Nevertheless, our hotline staff was able to assist over 142,300 customers over the last seven months surpassing the total number of clients served via the hotline in all of last year. HESAA's Call Center unit, although assisted by the purchase of a new phone system a year ago, has also been operating at stressed staffing levels.

The Pre-Claim and Claim unit has timely processed one of the largest claim volumes to date. During FY 06, we processed over \$76 million in default claims, an increase of 33% over the previous fiscal year. The Servicing and Collections unit has also seen a growing portfolio as well. We continue to work with these offices because they are revenue-generating operations within the Authority we are trying to support them as best as possible.

To accommodate our increased business and to ensure effective operations, we have been working with the Governor's Authorities Unit and the Governor's Office in general to fill these critical vacancies. Our objectives are to support current operations, meet our federal mandates, and to continue to provide top quality programs and services to the public.

A major factor in the Authority's success is the incredibly knowledgeable staff we maintain. I am pleased to recognize Sherry Fox, who is now Director of the Grants and Scholarships Unit, and Gloria Green, who is now the Director of Financial Aid Services.

Together they have over 50 years of experience in managing student aid programs. Sherry has held the position of Acting Director for over three years and has done an exceptional job running the Unit, while simultaneously instituting new programs created by the Governor and the Legislature. Gloria, has served as the Associate Director of Grants and Scholarships and moves into the Director's position where she will provide training, assist the Authority with developing student aid policy, and administer the Student Advisory Committee, NJACSA, and the WTC Board.

While we address personnel needs, the Authority's work must continue without interruption. As a result of our earlier adoption of the FY 2008 Board budget policy recommendation, the State and HESAA will be able to continue to address the needs of students, and allow them to access post secondary education. With another difficult State budget expected for FY 08, HESAA will be coordinating with Jane Oates, the Executive Director of the Commission on Higher Education, along with the Governor's Office, OMB and Treasury to best support our students and their families in light of these difficult circumstances.

In addition to requesting FY08 program funding, HESAA must prepare for anticipated decreases in direct State operating assistance. Currently we receive no more than 5% of our operating budget from the State, and the additional cuts over the next few years will make it that much more difficult. HESAA's revenue generating activities become all the more critical as they absorb and offset decreases in direct State appropriation.

Enclosed in the Board's mailing for this meeting was a copy of the HESAA FY 2006 Year End Financial Report which details the results of the Authority's programs and administrative accounts. I am happy to report that all of the HESAA programs remain financially strong, due largely to the fact that staff, with the support of the Governor, the Legislature and the Board, continues to deliver programs and services designed to meet the needs of New Jersey residents in financing the costs of higher education. Gene Hutchins, HESAA Chief Financial Officer, is available to answer any questions you may have regarding the information presented in the report.

As we evaluate the State's financial support to HESAA and our programs, the Authority has looked to our lender partners to participate in our efforts to keep higher education costs affordable. You may recall that, effective July 1, 2006, all FFELP loans must be assessed a mandatory 1% default fee upfront. I am happy to announce that HESAA negotiated with our lender partners to hold students harmless from this fee. To date, Sallie Mae, Nelnet, Bank of America, PNC, Wachovia and Citibank have agreed to join HESAA in this initiative. Many will pay the fee in full, while others will pay a portion of the fee in partnership with HESAA. This is extremely helpful to students, as well as HESAA since the Authority would otherwise pay the fee on behalf of students when a lender will not. These public-private partnerships assist the Authority implement our mission at a cost effective, especially to the state, manner.

Over the past couple of years, the Authority has incorporated a number of technical enhancements to our operational platform through the efforts of our information services staff. Software applications staff has developed and enhanced a wide range of web-based loan application and processing platforms. Technical services staff have upgraded and revamped both our mainframe and web environments, which are now capable of seamlessly supporting the tremendous growth in the use of web-based aid applications by our students, their parents and schools. The latest venture for HESAA is the redesign of our website. Currently experiencing over 500,000 hits per month, the site will be refocused to better serve student and parents, and will include direct access to their account information, in an improved user-friendly environment.

Planning for College Goal Sunday, our annual event in partnership with the New Jersey Association of Financial Aid Administrators is well underway. I would like to acknowledge Helen Mikulak from NJASFAA who is with us today. This year's event will be held on January 28, 2007. As you may recall, College Goal Sunday is a one-day statewide event designed to assist students and families complete the application for financial aid (the FAFSA). Assistance is provided in both English and Spanish. The program is geared toward helping underserved students and families navigate the entire aid process. This year the workshops will be held simultaneously at seven locations throughout the state: Camden, New Brunswick, Jersey City, Newark, Long Branch, Trenton and Paterson. Our objective is to assist over 1,000 families on this day. Additional information will be disseminated as the date approaches we hope you can donate your time or encourage members of your financial aid offices to volunteer so that this event can again be a statewide success as it was last year.

Staffing support and technical enhancements are certainly helpful towards business continuity and increased revenue generating operations, but these objectives cannot be met in our current obsolete and undersized facility. To this end, I am pleased to update you on the progress of our search for a new facility. We have identified a location in Ewing Township, and will be performing a site feasibility study through the NJ Economic Development Authority. This site is within 10 miles of our current location, is easily accessible to I-295, I-95, and Rte 29 – minimizing disruption to staff. We have been conferring with the Governor's Office and Treasury/OMB, and are cautiously optimistic over developing a new facility at this location; however, we must await the results of the feasibility study before taking additional steps. I will update the Board once the feasibility study is completed.

Our incredible growth in programs, and the ongoing high quality of service we provide in the face of staff shortages, budget reductions, and inadequate space, among others, are testaments to the Authority's hard work and commitment to the students, families, and institutions we serve. The programs designed and supported by this Board are critical towards achieving the State's long-standing objective of providing access, affordability and choice in higher education.

I thank you for your continued support for HESAA and your assistance in making sure HESAA is well positioned to achieve its mission, and to help the students and families of this state.

Dr. Joann LaPerla-Morales thanked the Authority for publishing the NJSTARS Report. She stated that County Colleges are very interested in helping support that program and trying to move ahead in working with the Authority to better advise the students and avoid these issues. The report was very thorough.

La-Trenda Ross questioned whether there would be a snow date for College Goal Sunday and John Iacovelli advised that it would be two weeks later.

## **NEW BUSINESS**

Warren Smith announced the resignation of Dr. William Rogers. In consideration of Dr. Rogers resignation, and in recognition of his excellent services as a member of the HESAA Board, Mr. Smith presented a framed Resolution, which he read, and thanked Dr. Rogers for his service throughout the years.

## **ADJOURNMENT**

Mr. Smith stated that immediately following lunch there would be an Audit Committee meeting. The next Board meeting would be on February 7, 2007 at 10:00 am.

A motion to adjourn was made by James Avery and seconded by Maria Torres. The motion passed unanimously.

The meeting adjourned at 11:11 am.