MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

July 12, 2005

The New Jersey Higher Education Student Assistance Authority (HESAA) Board held a meeting on July 12, 2005 at 10:00 a.m. at HESAA offices in Hamilton, New Jersey.

PRESENT: Michael Angulo, Esq.; Mr. James Avery; Dr. Phyllis Della Vecchia; Ms. Dana Downer; Ms. Caroline Ehrlich, Treasurer’s Designee; Mr. Keith Green; Mr. Mubarak Guy; Ms. Wilma Harris; Dr. Harvey Kesselman; Mr. Frank Mertz; Dr. William Rogers; Warren E. Smith, Esq.; and Ms. Maria I. Torres, members.

SPECIAL GUESTS: Victoria Pratt, Esq., Assistant Counsel, Governor’s Authorities Unit; Sarah Darrow, Esq., Deputy Attorney General; Tamika Gadsden, Office of Secretary of State; and Glenn Lang, Executive Director of the Equal Opportunity Fund.

HESAA STAFF: Fran Andrea, Chief Operating Officer; Gene Hutchins, Chief Financial Officer; Sudha Tiwari Kantor, Esq., Director of Legal and Governmental Affairs; Sherry Fox, Acting Director, Grants and Scholarships and Steve Tessitore, Director of Financial Aid.

ABSENT: Dr. Harold Deutschman; Ms. Rossy Matos; Ms. Jean McDonald Rash; Christian Samay, Esq.

CALL TO ORDER

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

Mr. Smith welcomed the Board members. He announced that Dr. Phyllis Della Vecchia, Ms. Wilma Harris and Ms. Maria Torres would be participating through teleconference.

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

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

Mr. Smith welcomed Victoria Pratt, Esq. from the Authorities Unit of the Governor’s Office, Sarah Darrow, Esq., DAG, Tamika Gadsden from the Secretary of State’s Office and Glenn Lang, Executive Director of the Educational Opportunity Fund.

CONSIDERATION OF THE MINUTES OF THE MAY 11, 2005 MEETING:

Mr. Mertz made a motion to approve the minutes of the May 11, 2005. The motion was seconded by Mr. Avery. The minutes were unanimously approved.
REPORT OF COMMISSION ON HIGHER EDUCATION:

Mr. Mertz delivered the report on the Commission on Higher Education.

Mr. Mertz stated that he had three main points on which to report.

First, the Higher Education Capital Planning Task Force has had one meeting and has scheduled a second meeting. The purpose of this Task Force is to develop a long term, realistic plan to support higher education facilities. This Task Force has a cross section of members who will form policy, rather than focusing on money. The Task Force will assist the Commission on developing a systematic policy statement in New Jersey with respect to the financing of higher education facilities repair, maintenance and replacement. The Higher Education Capital Planning Task Force has been launched and facilitated by Steve Portch, who has done similar consulting in a number of other states, and in whom Mr. Mertz has full confidence.

Second, the Commission has formed a task force entitled the “Senior Public Operating Task Force.” The charge for this Task Force is to review the various policies and methodologies that support senior public universities. Mr. Mertz stated that the Commission is trying to establish policies that recognize the commonalities between all senior publics, as well as the differences that will exist between the state colleges (nine state colleges), and senior public research universities. The Commission’s goal is to develop a policy that acts as a foundation to senior public institutions, as well as to develop a policy with respect to the independent colleges and universities. As an example, Mr. Mertz discussed the State of Kentucky, which utilizes a 1/3 to 2/3 ratio of funding of aid versus tuition.

While New Jersey does not have a formal policy with regard to the relationship between tuition and student aid practice has been “high tuition/high aid.” Mr. Mertz stated that if not for HESAA’s support of the Commission with respect to TAG and other related programs, the Commission would have a significant problem adequately financing both the institutions, and more importantly, the students. The Task Force’s work supplies the “Blue Print For Excellence.”

The Commission will discuss a long-range plan update at its next meeting. The Commission will also be reviewing licensure rules for New Jersey. Mr. Mertz advised that he hopes that the Minority Academic Career Program regulation is readopted. The Commission wants to ensure that while the program is maintained, the regulations do not run afoul of any of the legal statutes.

Finally, Mr. Mertz expressed gratitude, and gave applause, for the fact that the Governor provided significant funding, not only for TAG, but also for the Educational Opportunity Fund, which received additional appropriations of approximately $3.5 million.

REPORT OF THE STUDENT ADVISORY COMMITTEE AND SWEARING-IN OF SAC CHAIR AND VICE CHAIR AS BOARD MEMBERS:

This portion of the meeting featured the swearing-in of new Board members by Sarah Darrow,
Deputy Attorney General. SAC Chair Dana Downer, and SAC Vice Chair Mubarak Guy, took the oath of office.

Steven Tessitore reported that the first meeting of the 2005/2006 SAC was held at HESAA on June 24, 2005. Following the welcome and introductions, staff from HESAA provided a comprehensive overview of HESAA programs, products and services. In addition, SAC’s role and responsibilities were discussed.

The 2005/2006 SAC held a meeting on July 8, 2005 to further discuss and clarify individual member’s roles and responsibilities, as well as to schedule future meetings. Attached in the Board materials is a copy of the 2005/2006 SAC membership list.

Elections were also held during the first meeting of 2005/2006 to determine a Chair and Vice Chair. Mr. Tessitore announced that Ms. Dana Downer, a senior at Monmouth University was elected Chair of the 2005/2006 SAC. Ms. Downer, who was also a member of the 2004/2005 SAC, is a criminal justice major, minoring in legal studies and sociology. She is an active participant in Monmouth University’s Criminal Justice Club, and serves on the University’s Equal Opportunity Fund (EOF) Advisory Committee.

Mr. Tessitore also announced that Mr. Mubarak Guy was elected Vice Chair of the 2005/2006 SAC. Mr. Guy is a senior at Rutgers University majoring in English. He is the President of the Rutgers University College Student Government Association and a senior member of the Provost Student Ambassadors Program.

Mr. Smith welcomed the new members to the HESAA Board.

LETTER TO JOSEPH SMITH

Mr. Warren Smith read a letter to Mr. Joseph Smith thanking him for his participation and for service on SAC for 2004/2005.

Ms. Harris stated that she would like the Chair and Vice Chair of the SAC to encourage other members of the SAC to come to HESAA meetings so that next year’s Chair and Vice-Chair will be familiar with their roles and responsibilities.

Mr. Smith expressed his support of Ms. Harris’ idea and informed the Board that four members of the SAC were present at today’s meeting.


Mr. Avery, the Chairman of the Nominating Committee, delivered the report of the Nominating Committee.

In accordance with Article V of HESAA’s Bylaws, the Nominating Committee recommended
electing members: Warren E. Smith, Esq., as Chairperson, Maria Torres as Vice Chairperson, Dr. William Rogers as a member of the Executive Committee representing institutional members, and Keith A. Green as a member of the Executive Committee representing public members. The Executive Committee also consists of the State Treasurer’s Permanent designee (Caroline Ehrlich) and E. Michael Angulo, Esq., Executive Director of HESAA, ex officio members. Board members voted unanimously to the election of the Nominating Committee’s Slate. Resolution 12:05, Electing a Chairperson, Vice Chairperson and two public members to the Executive Committee, was presented to the Board for consideration.

Mr. Avery made a motion to approve Resolution 12:05. Dr. Kesselman seconded the motion.

This motion passed unanimously.

RESOLUTION 13:05 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2005-2006:

Ms. Sherry Fox presented this item to the Board.

Resolution 13:05 will establish a table of Full-Time Tuition Aid Grant award values for the 2005-06 academic year, in accordance with the provisions of the FY2006 Appropriations Act.

The FY2006 TAG appropriation of $208.908 million represents an increase of $6.334 million over last year’s appropriation. In keeping with the intent of the Appropriations Act, awards for students attending both public and private institutions who demonstrate the highest need (the first NJEI cell of the TAG Table) have been increased to reflect 2004-05 tuition levels. Award increases for all other TAG recipients are based on 2002-03 tuition levels. In addition, the FY2006 appropriation is sufficient to fund up to 1,000 new TAG awards.

As shown in Attachment B, budgeted FY2006 TAG resources also include a State appropriation for part-time students eligible to receive TAG awards under the EOF part-time Program, as well as Federal matching funds received under the Leveraging Educational Assistance Partnership Program/Supplemental Leveraging Educational Assistance Partnership Program.

Language in the Appropriations Act allows the Authority to retain the unexpended balances in the TAG account as of June 30, 2005, as well as refunds recognized after July 31, 2005. These funds are available to cover increased program costs resulting from shifts in the distribution of awards, to offset any shortfall in the federal LEAP/SLEAP Programs, or to fund new awards in excess of the 1,000 anticipated. Additionally, supplemental appropriations are available should these carryforward funds prove to be insufficient to cover increased program costs. This budget language eliminates the need for the Authority to establish a contingency reserve from the amounts appropriated.

Current volume projections indicate that these available resources will be sufficient to fund the TAG Table shown in Attachment B.

It is recommended that the Board approve the full-time FY2006 TAG Award Table displayed in Attachment A.
Mr. Rogers made a motion to approve this resolution. Ms. Downer seconded the motion.

The motion passed unanimously.

**RESOLUTION 14:05 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2005-2006:**

Ms. Sherry Fox presented this item to the Board.

Resolution 14:05 will establish a table of Part-Time Tuition Aid Grant award values for the 2005-06 academic year, in accordance with the provisions of the FY2006 Appropriations Act.

An analysis of data from the NJ Grants system indicates that the number of part-time awards increased by more than 11% between 2003-04 and 2004-05. The part-time TAG award table shown in Attachment B, which maintains awards at 2004-05 levels, is based on the available $4.451 million appropriation and allows for approximately an 11% increase in the number of part-time awards in FY 2005-06.

It is recommended that the Board approve the part-time TAG Award Table for FY 2005-06 shown in Attachment A.

Dr. Rogers stated that having served on the Budget Committee, he would like to thank the Governor and the Legislature for this very generous appropriation at an extremely difficult time. He also stated that although the appropriation is not for the full amount requested, it is still so much better than it could be or what is going on in other states. Dr. Rogers highlighted how the students of New Jersey are very fortunate.

Dr. Della Vecchia wanted to echo Dr. Rogers’statement on behalf of the community colleges. She thanked the Governor and Legislature as well as the HESAA Board for their continued support of a part-time TAG program. Dr.. Della Vecchia thanked the staff for their support of the TAG program.

Mr. Guy stated that he wanted to say thanks on behalf of his community. Mr. Guy stated that he knows a lot of students that attend community colleges on a part-time basis and the fact that they can get assistance just as students attending colleges and universities full-time do, is very generous and heartfelt.

Mr. Avery made a motion to approve Resolution 14:05. Ms. Harris seconded the motion.

The motion passed unanimously.

**EXECUTIVE DIRECTOR’S REPORT:**

Mr. Angulo delivered the Executive Director’s report.

Mr. Angulo provided the Board with an update on the State Fiscal Year 2006 (SFY 06) Budget
as it pertains to the Authority. Repeating the sentiments that were just expressed, Mr. Angulo stated that he would like to thank Acting Governor Codey, Treasurer McCormac, and the Legislature for their continued commitment to higher education financial assistance. Despite a very difficult budget situation, the students of New Jersey will again benefit from an increase in the State’s Tuition Aid Grant Program. The New Jersey Tuition Aid Grant Program has received an increase in appropriations totaling $6.334 million over the last year for an aggregate total of $208,908,000. This achieves the funding priorities endorsed by the HESAA Board. HESAA can increase awards to the students with the greatest financial need, as well as to all students within the table following the same parameters as in the prior year, while having sufficient resources to provide up to 1,000 additional TAG awards. The part time TAG program for county college students received the Board’s recommended 6% increase of $251,000 and the Outstanding Scholars Recruitment Program received an increase of $784,000 to address new students. The majority of all HESAA administered programs received level funding, with the exception of the NJSTARS programs and the NJBEST scholarship program. The NJSTARS program received $8,000,000 to better reflect the need for funding current students and perspective students. The NJBEST scholarship program is no longer funded through the State appropriation but is funded through the revenues received by the Authority.

Additionally, HESAA received an appropriation of $3.5 million to fund the Governor’s new initiative entitled the “Social Services Student Loan Redemption Program Act.” This new program will provide loan redemption to finance the undergraduate or graduate study of program participants in exchange for full time employment at a qualified direct care facility as determined by the enacting legislation. This will address the critical shortage of workers in social services related occupations.

Other pertinent bills awaiting the Governor’s signature include: Assembly Bill 1479, which requires county colleges to award college credits to firefighters for certain courses completed at county fire academies, and Senate Bill 2477, which changes the criteria for continued receipt of NJSTARS scholarship funds. This change provides that the student will have to maintain at least a 3.0 grade point average by the start of the student’s second year of enrollment in order to continue receiving a NJSTARS scholarship. If the scholarship student has less than a 3.0 grade point average at the start of the second semester of the student’s first year, the student will be required to participate in an enrichment program during the second semester of that first year.

Mr. Angulo advised that the EOF program received an increase of $3.5 million, of which $3.0 million will be designated as Opportunity Program Enhancement Funding. This increase will give each college and university the ability to allocate its share of the funding to increases in maximum semester awards, as well as to provide awards for additional students who meet EOF eligibility criteria. Mr. Avery will provide additional details in his EOF update.

Mr. Angulo reported on the Authority’s activities for the last few months. He stated that he continues to be pleased with the Authority’s progress on new initiatives and major projects. The Authority has worked diligently to preserve HESAA’s volume of FFELP through its strong Grants and Scholarships Division, and by providing products and services that matter to the students and families HESAA serves. The new Cohort eManager is a much-welcome addition to the line of default aversion products and has been well received by partner institutions. Mr. Angulo stated that HESAA operations depend on revenue derived from the FFELP loan volume.
Due to competition in the market place, HESAA has assumed an emerging role as a lender/partner servicer in the PLUS loan program. One of the lenders that use HESAA as a guaranty requested HESAA’s assistance in performing pre-certification for borrowers in New Jersey. This is a new function for HESAA that will further enhance HESAA’s quality guaranty agency services.

Mr. Angulo advised that with regard to new programs, the NJCLASS consolidated loan program has been launched. This consolidation loan program was initiated after a caller contacted Acting Governor Codey during a radio program. The caller complained of numerous NJCLASS loans that she was trying to finance and organize, having just recently graduated from college. In less than a month, the Authority has received 112 applications pertaining to the NJCLASS loan consolidation program through the HESAA website. This program extends repayment to 25 years for NJCLASS borrowers with a combined outstanding balance of greater than $30,000 up to $59,999. Borrowers with loans totaling $60,000 or more can extend their repayment to 30 years. This revenue neutral program provides an extended payment period and uses the average of the borrower’s existing interest rates to reduce monthly loan payments, thereby lessening the burden on recent graduates who are just starting out with their careers or those who have simply encountered financial difficulties.

On the federal side, there have been numerous letters and face-to-face meetings with the New Jersey Congressional Delegation on both sides of the aisle regarding the support of LEAP/SLEAP federal funding and support for the Federal Family Education Loan Programs. LEAP/SLEAP are matching federal funds added into distribution of TAG funds to the students with the greatest financial need. If the funds are zeroed out, then the federal budget would adversely and substantially impact the TAG program and provide and create additional pressures on the State appropriation. On the FFELP side, HESAA has been meeting with elected officials in support of the services it provides to students and institutions and to seek congressional support of campus based Title IV Federal Programs, the Perkins Work-Study and the SEOG Program.

Mr. Angulo provided an update on Executive Order 122, which requires all state authorities to create an Audit Committee and an Evaluation Committee. The Audit Committee is responsible for assisting the Board in retaining an independent auditor of the Authority’s financial statement by making a recommendation to the Board after engaging in the auditor selection process. Executive Order 122 requires the formation of an Evaluation Committee to conduct the solicitation and evaluation of eligible auditors. The Authority adopted Resolution 3:05 in it’s February 16, 2005 Board meeting. This amended the bylaws to reconstitute the Audit Committee in compliance with Executive Order 122. At the same meeting, the chair appointed members for the Ad hoc Evaluation Committee. The Audit Committee met on May 20, 2005 and developed criteria for hiring an independent auditor as set forth in Executive Order 122. On Monday, June 20, 2005, the Evaluation Committee met to review the criteria and begin drafting an RFP for the independent auditor selection process. Following today’s Board meeting, the Audit Committee will meet with our current independent auditor regarding the Authority’s SFYO5 financials. This independent audit is among the requirements set forth in Executive Order 122.

In conclusion, the Authority will continue to work towards enhancing products and services and
increasing the FFELP loan volume to better assist the many students, families, institutions and constituents it serves.

Mr. Angulo welcomed the new Board members and stated that he looks forward to working with them in the upcoming year.

**REPORT OF EDUCATIONAL OPPORTUNITY FUND:**

Mr. Avery delivered the report of the Educational Opportunity Fund.

Mr. Avery provided the historical context and background of the New Jersey Educational Opportunity Fund (EOF).

Mr. Avery also provided current EOF program information:

Through the 60 distinct programs conducted in partnership with 41 New Jersey colleges and universities, New Jersey’s Educational Opportunity Fund is the national leader in providing access to higher education for students from educationally and economically disadvantaged backgrounds. There is no other program that can match New Jersey’s. The Fund also provides opportunities for “late bloomers”, who come from disadvantaged backgrounds, offering a second chance for those older students who are motivated to pursue the benefits of a higher education.

Mr. Avery also stated that approximately one-half of the EOF student population attended elementary and secondary schools in an Abbott, or district factor group (DFG) A or B school district. DFG is an index of socioeconomic status involving income, occupation and education. DFG A and B districts are the poorest public school districts in the State. The median annual pre-tax income for EOF students (family size is four) is $23,000, in comparison to New Jersey’s median family income that is approximately $70,000, according to 2000 census data.

All EOF students must meet institutional admission criteria as well as financial eligibility. Further, EOF students must meet standards of academic progress and the same graduation requirements as all other students.

Mr. Avery provided statistical information of the EOF program. The Fund has always been a diversified program. Currently, it enrolls approximately 12,800 students. African-Americans represent 40% of the enrollment, followed by 32% Hispanics. During 2004, the county colleges enrolled over one-third of the total EOF population, 29% attended state colleges and universities, 14% independent schools and 21% were in research institutions.

Mr. Avery provided information regarding funding for the EOF program which falls into two broad categories. One is the Opportunity Grant (commonly known as Article III). The other category, Supplementary Opportunity Grants, (commonly known as Article IV), provides special, campus-based support and educational enrichment services for EOF students such as counseling, tutoring and special academic programming.

Mr. Avery provided budget information for the EOF program. When the EOF program began 37 years ago, the budget was $2,000,000. The FY 2006 recommended appropriation is $23,410,000.
for Article III and $12,855,000 for Article IV. The appropriations for the King and Ferguson Scholarships have been funded at $602,000 and $200,000, respectively for many years. The EOF Central Office also administers the Commission’s Minority Academic Careers Program.

Mr. Avery discussed some challenges the EOF program is facing. Among them, is improving graduation rates. This is one of the greatest challenges facing the Fund. While not in the Fund’s original mission, this area has become equally as important as access and short-term retention.

Mr. Avery expressed that the EOF Board is very proud of the strong accountability and planning measures that they have in place.

Mr. Avery stated that the EOF Board is extremely fortunate that the State’s budget for the coming school year has an increase in Article III funds, which will allow for more students from educationally and economically disadvantaged areas to have the opportunity for higher education.

ADJOURNMENT

A motion to adjourn was made by Dr. Kesselman and Mr. Green seconded the motion. The motion passed unanimously.

Mr. Smith announced that the next meeting would be October 19, 2005. Mr. Smith also reminded members that immediately following lunch there will be an Audit Committee Meeting.

The meeting adjourned at 11:07 a.m.