

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 19, 2005

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on October 19, 2005 at 10:00 a.m. at its offices in Hamilton.

PRESENT: Michael Angulo, Esq.; Mr. James Avery; Dr. Phyllis Della Vecchia (participated via teleconference); Ms. Dana Downer; Mr. Keith Green; Ms. Wilma Harris; Dr. Harvey Kesselman; Ms. Rossy Matos; Mr. Frank Mertz; Dr. William Rogers (participated via teleconference); Ms. Caroline Ehrlich, Treasurer's Designee; Warren Smith, Esq. and Ms. Maria I. Torres, members.

Mr. Al Ramey, Deputy Attorney General; Keith Barrack, Esq., Governor's Authority Unit; Tamika Gadsden, Office of Secretary of State and HESAA staff.

ABSENT: Dr. Harold Deutschman; Mr. Mubarak Guy; Ms. Jean McDonald Rash; and Christian Samay, Esq.

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 welcomed the Board members. He advised members of the public who wished to speak to register with Ms. Merci Powell.

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

Mr. Smith welcomed Al Ramey, Esq., DAG, Keith Barrack, Esq. from the Authorities Unit of the Governor's Office, and Tamika Gadsden, from the Office of Secretary of State.

CONSIDERATION OF THE MINUTES OF THE JULY 12, 2005 MEETING:

Dr. Harvey Kesselman made a motion to approve the minutes of the July 12, 2005 meeting. The motion was seconded by Keith Green. The minutes were unanimously approved.

CONSIDERATION OF THE MINUTES OF THE SEPTEMBER 20, 2005 SPECIAL BOARD MEETING:

Dr. Harvey Kesselman made a motion to approve the minutes of the September 20, 2005 meeting. The motion was seconded by Keith Green. The minutes were unanimously approved.

RESOLUTION 18:05 CONSIDERATION OF ENDORSING STAFF TO PURSUE ACQUISITION OF A NEW FACILITY

Dr. Harvey Kesselman, a member of the Facilities Subcommittee of the Board, who has worked closely with HESAA staff on this issue, presented this item to the Board. At the October 23, 2000 Board Meeting KSS Architects presented its findings after conducting a thorough facility needs assessment for HESAA. KSS concluded the space occupied in three separate buildings was inadequate in size and functionality to meet current and future business needs of the Authority.

Three alternatives were considered by the Board: (1) renovating the existing facility; (2) leasing a new facility; and (3) building or renovating a facility owned by HESAA. The analysis concluded owning the facility by way of new construction or renovation of an existing one was the most cost effective.

At the March 2001 Board meeting the Board passed Resolution 2:01 endorsing HESAA staff exploration of acquiring a new facility. HESAA staff has engaged in this exploration and now is in a position to move forward with Board approval of Resolution 18:05.

The KSS facility needs assessment was once again updated in 2004 and the Department of Treasury became actively involved in assisting HESAA in the preparation of a "Space Planning Request" which exceeds that recommended by KSS.

On August 29, 2005 the Facilities sub-committee met with HESAA staff and real estate professionals to review a presentation on potential facilities sites. The presentation outlined various sites and made a recommendation of moving forward. The presentation involved the acquisition of an approximately 85,000 sq. ft. facility at an approximate cost of \$17,000,000. The KSS analysis for 2001 was \$17 million; the current proposal is at the same cost now as it was in 2001 for a building, which is almost 10,000 square feet larger.

HESAA staff has been in contact with Treasury's Division of Property and Management to obtain a list of available sites that may warrant further review and analysis to determine if these sites can meet HESAA's facilities needs as outlined herein.

In order to move forward in a timely matter it was recommended that the Board endorse HESAA staff to continue to pursue negotiations with the State of New Jersey towards the acquisition, and where necessary, the construction of a new facility that best meets the Authority's needs for its staff and operations by favoring Resolution 18:05, Consideration of Endorsing Staff to Pursue Acquisition of a New Facility.

Dr. Phyllis Della Vecchia questioned what exactly the \$17 million covered. Michael Angulo responded the \$17 million is inclusive of everything. This project will be funded through one of the tax-exempt bond-issuing agencies through the State. Also a portion will be funded with some federal operating revenue that has been set aside for such an acquisition. Further, monthly rental payments for the current leased facility would be reallocated to meet debt service costs. Dr. Della Vecchia agrees with this resolution but suggested that the Board be provided the financing plans.

Caroline Ehrlich, Treasurer's Designee, stated how reluctant the Treasurer originally was to do this, but Michael Angulo met with him and convinced him that, economically this was the right thing to do.

A motion to approve this resolution was made by M. Wilma Harris and seconded by Caroline Ehrlich. Ms. Powell took a roll call vote and the motion passed unanimously.

**REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 19:05
ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR
2007:**

Dr. Rogers delivered the report on behalf of the Budget Committee of the HESAA Board. The Committee met on October 5th to review last year's budget policy statements, as well as the various fiscal year 2007 Tuition Aid Grant models reflecting different levels of award increases.

The Fiscal Year 2007 Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability through need-based student financial aid and of recognizing academic achievement through merit scholarship programs. The policy statement represents the Board's funding recommendations in order of priority, with need-based funding for the full-time Tuition Aid Grant (TAG) Program as its highest priority. The Board believes that the current balance between need-based and other student assistance, as reflected in this policy statement, is the most appropriate approach.

The funding recommendations represent the Board's approach in providing policy guidance to staff for developing specific funding level requests for each program directly administered by the Authority. In formulating its budget policy recommendation, the Board was mindful of its role as student advocate to achieve full funding for the TAG Program.

The Board's FY 2007 recommendation continues to move toward the goal of fully funding the TAG Table in the following manner:

Base awards for students who demonstrate the highest need (NJEIs below 1500) on 2005-06 tuition levels. This maintains the current one-year lag compared to tuition.

Base awards for students in the second NJEI cell (NJEIs between 1500 and 2499) on 2004-05 tuition levels. This action recognizes the high level of need demonstrated by these students, reduces the current lag between tuition and award values from three years to two, and narrows the gap that exists between TAG awards received by students in the top two NJEI cells.

Base awards for all other eligible students (NJEIs above 2499) on 2003-04 tuition levels. This maintains the current three-year lag compared to tuition.

After a lengthy discussion regarding recommended revisions, Sudha Kantor summarized the changes that would be made to the policy statement. The first change would be to include only a two-year lag for the third cell, which would result in a potential \$1.5 million increase in the TAG budget request. Additional language is to be added in the second paragraph to read “to pursue our commitment of affordability, accessibility and choice for all students.”

Caroline Ehrlich acknowledged the importance of this policy to the new administration but indicated that she would be abstaining from voting on the statement.

A motion to approve this resolution as amended was made by Dr. Harvey Kesselman and seconded by Frank Mertz. Ms. Powell took a roll call vote and the motion passed unanimously with one abstention (Caroline Ehrlich).

RESOLUTION 20:05 CONSIDERATION OF PROPOSED SOCIAL SERVICES STUDENT LOAN REDEMPTION PROGRAM REGULATIONS, N.J.A.C. 9A:10-8 ET SEQ.

Sudha Tiwari Kantor, Esq. presented this item to the Board.

Board approval was requested of Resolution 20:05, proposing Social Services Student Loan Redemption Program Regulations, N.J.A.C. 9A:10-8 et seq.

The Social Services Student Loan Redemption Program Act was signed into law on July 14, 2005 and codified at N.J.S.A. 18A:71B-87 et seq. (“Act”). Pursuant to N.J.S.A. 18A:71B-96, the Higher Education Student Assistance Authority (HESAA) is responsible for promulgating rules and regulations, in consultation with the Department of Human Services and the Juvenile Justice Commission, which will implement the program as codified.

The purpose of the Social Services Loan Redemption Program is to finance the undergraduate or graduate study of program participants in exchange for full-time employment as a direct care professional employed in public facilities, which include veterans’ memorial homes operated by the Department of Military and Veterans’ Affairs, and nonprofit agencies that contract with the Department of Human Services and the Juvenile Justice Commission. In order to be eligible for this program, program participants or applicants must be residents of the State of New Jersey, have successfully

completed an approved course of study within a one-year period prior to being hired as a full time direct care professional at a qualified facility, and have been initially hired as a full-time direct care professional after the enactment date of the Act. The program participant has to have a state or federal student loan and not be in default in order to be eligible for the program.

The loan redemption program provides redemption of up to \$5000 per year, not to exceed \$20,000 over a four year time period. The Acting Governor has appropriated, with the assistance of the Legislature, \$3.5 million for fiscal year 2006.

HESAA has met with representatives from the Department of Human Services and the Juvenile Justice Commission to review and comment on the proposed regulations. The proposed regulations are modeled after similar loan redemption programs.

Caroline Ehrlich stated because of a possible personal conflict she was going to recuse herself from this discussion and vote.

A motion to approve this resolution was made by Mr. James Avery and seconded by Ms. Wilma Harris. Ms. Powell took a roll call vote and the motion passed unanimously with one abstention (Caroline Ehrlich).

RESOLUTION 21:05 CONSIDERATION OF PROPOSED AMENDMENTS TO THE NJSTARS REGULATIONS, N.J.A.C. 9A:9-10 ET SEQ.

Sudha Tiwari Kantor, Esq. presented this item to the Board.

Board approval is requested of Resolution 21:05, which will permit publication in the New Jersey Register of proposed amendments to the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) Program regulations. The proposed amendments incorporate a change in the academic criterion for students to continue receiving an NJ STARS award for their second year of county college enrollment in accordance with new legislation, P.L. 2005, c.168, which was signed into law by Acting Governor Codey on August 5, 2005. The proposed amendments also provide clarification in the eligibility requirements for students to receive these scholarships, as well as for attendance at another New Jersey county college other than the student's county college of residence.

This matter was further discussed and the Resolution was amended pursuant to the discussions. The first change is in the 5th Whereas clause, which will now read, "HESAA has determined that additional clarification is needed in the current regulations in keeping with the original intent of the NJSTARS statute and administration guidance provided to the aid community." The second change will delete the 6th Whereas clause in its entirety. For the third change, the 7th Whereas clause will be modified to read as follows "HESAA has also determined that this clarification should include amending N.J.A.C. 8A:9-10.10 so that an NJSTARS student may use his or her award at another New Jersey county college, and receive in-county tuition rates, if his or her county

college of residence is unable to admit the student into the desired program of study due to lack of available space which will exist for at least one year pursuant to N.J.A.C. 9A:4-1.3.”

A motion to approve this resolution as amended was made by Dr. Phyllis Della Vecchia and seconded by Dr. William Rogers. Ms. Powell took a roll call vote and the motion passed unanimously.

RESOLUTION 22:05 N.J.A.C. 9A:8 – HESAA POLICIES, PROCEDURES AND PROGRAMS FOR READOPTION

Sudha Tiwari Kantor, Esq. presented this item to the Board.

At its May 11, 2005 meeting, the Higher Education Student Assistance Authority (HESAA) Board approved the proposal for re adoption of N.J.A.C. 9A:8 without any modification. Therefore, the expiration date for these rules was extended to January 13, 2006 by filing the proposal for re adoption with the Office for Administrative Law prior to the expiration date. The proposed re adoption of N.J.A.C. 9A:8 was published in the July 5, 2005 NJ Register at 37 N.J.R. 2284, it was also posted on the HESAA website at HESAA.org and sent to the Statehouse News Media. In addition, the proposed rule was forwarded to interested parties by way of Secondary notice.

The enabling act creating the Higher Education Student Assistance Authority (HESAA) (N.J.S.A. 18A: 72A-1 et seq.) also redefined the Minority Faculty Advancement Loan and Loan Redemption Program and renamed it the Minority Faculty Advancement Program (see N.J.S.A. 18A:72F-1 et seq.).

Pursuant to N.J.S.A. 18A:72F-4, HESAA will administer the loan and loan redemption components of the Minority Faculty Advancement Program until program participants have exhausted their eligibility and the program has been completely phased out.

The rules that were proposed for re adoption in N.J.A.C. 9A:8-5.1 et seq. set forth the requirements for verification of compliance with the Military Selective Service Act (50 App. U.S.C. §§451 et seq.) for recipients of State-funded loans, grants or scholarships for those students who do not file a Free Application for Federal Student Aid (FAFSA). For students who file a FAFSA, verification of Selective Service compliance provided under the Federal Higher Education Act of 1965, Pub. L. 89-329 (20 U.S.C. §§1001 et seq.) is satisfactory. In general, the rules proposed for re adoption on Selective Service compliance require a student to complete a New Jersey Statement of Selective Service Registration Status form for submission to the funding institution or agency prior to disbursement of any State-funded financial aid. HESAA has the authority to provide regulations for complying with the Military Selective Service Act under N.J.S.A. 18A:71B-6.

The rules that were proposed for re adoption, which are incorporated in N.J.A.C. 9A:8-3.1 et seq. continue to provide HESAA with the administrative authority over those students

who continue to be grandfathered under the Minority Faculty Advancement program. The administration of the remaining provisions of the Program has been assigned to the Commission on Higher Education, which has promulgated its own rules pursuant to N.J.S.A. 18A:72F-11.

The 60-day legislative review period and the public comment period for these rules expired on September 3, 2005 with no comments received.

A motion to approve the readoption of Resolution 22.05 was made by Frank Mertz and seconded by M. Wilma Harris. Ms. Powell took a roll call vote and the motion passed unanimously with one abstention (Rossy Matos).

EXECUTIVE DIRECTOR'S REPORT:

Mr. Angulo delivered the Executive Director's report.

Mr. Angulo stated if anyone has any questions regarding the Higher Education Student Assistance Authority FY 2005 Year End Financial Reports, please address them to Eugene Hutchins.

He stated that he is proud of the numerous accomplishments of the HESAA board and the Authority staff towards fulfilling HESAA's mission of providing students and families with financial and informational resources to assist students to pursue their education beyond high school. The successful launching of new programs coupled with HESAA's increased visibility with the Governor, the Legislature and community leaders has greatly strengthened the Authority's standing and viability.

HESAA's important role in the State's future is no longer an understated fact. Mr. Angulo is confident that the relationships established with key decision makers will ensure the continuity of HESAA's programs and initiatives.

Administration of HESAA's many programs and services relies upon revenues derived from the FFELP program. To ensure its competitiveness in the industry, the Authority is embarking on new industry initiatives by providing on-line PLUS preapproval services for lenders. This instant credit decision for PLUS provides a safe and secure on line process for students that is available to any lender partner for a fee. In addition, this process is also guarantor neutral. New services such as this will enhance HESAA's portfolio guaranty agency services.

To ensure that HESAA's clients benefit from the most up to date technology, HESAA recently installed a state of the art new phone system. Offering web interfacing for the call center, call recording, a sophisticated monitoring system and the ability to effectively handle a much larger volume of constituent calls. Lengthy wait time or busy signals during peak time is now a thing of the past.

HESAA continues to experience strong growth in its programs and services. As of September the FFELP loan volume has increase 21 percent over the same time last year, totaling \$340,970,000, and the NJCLASS loan volume has increased 29 percent over the same time last year totaling \$104,388,000.

Two more NJ state universities are returning to FFELP for their students. This is a strong indicator of HESAA's programs and services and how HESAA is very able to serve not only the institutions but the students and families enrolled at those schools. HESAA is very pleased with this growth.

The NJCLASS loan consolidation program created this year enhanced HESAA's ability to assist its current client base and curtails the consolidation of loans out of HESAA's portfolio.

The Authority has also been tasked with the implementation of three new loan redemption programs. Among them is the Social Services Loan Redemption, which was presented to the Board and approved. Another program is the Teaching Fellows Loan Redemption program. The average redemption amount for each recipient will be \$3,500 for the next 4 or 5 years, specifically designed for teachers in critical subject areas such as Math, Special Education, Science and Foreign Language. Recipient must have borrowed through HESAA to be eligible for this redemption. Last, is the Student Loan Redemption Reimbursement Program for OBGYNs who agree to practice in an underserved area of the State for a period of at least 4 years after receiving payment. This applies to NJCLASS and federal student loans received. Regulations are in the process of being drafted.

In partnership with NJASFAA, HESAA will launch College Goal Sunday for the first time in New Jersey on February 12, 2006, which is a one day statewide event to assist students and families in completing the FAFSA form for their education beyond high school. This will be held at five locations throughout the state Camden, Trenton, New Brunswick, Jersey City and Newark. Flyers were distributed.

Michael Angulo thanked everyone for their continued support of HESAA and commitment to financial aid, and gave special thanks to the Treasurer and Treasurer's designee for their strong support of HESAA's initiatives.

NEW BUSINESS:

Michael Angulo discussed the New Jersey Low Interest Funding for Education (NJLIFE) program. NJLIFE is a federal Stafford loan that charges no origination fees, allowing the borrower to utilize the entire amount of the loan toward educational costs. NJLIFE will greatly reduce the cost of borrowing for the neediest students and reduce debt burdens by hundreds of dollars over the life of the loan.

Eligibility would be extended to students of families with an adjusted gross income under \$25,000. NJLIFE will waive the 3% origination fee and the 1% guarantee fee thereby

giving every student borrower the maximum amount of lendable proceeds towards their college expense. The student borrower will receive a 3.5 % reduction of the principal loan balance after thirty-three months of on-time repayments. An additional .5% reduction in interest rates will be available for auto debit, compared to the national industry standard of only .25% reductions. Student borrowers borrowing \$15,000 over a 4-year period would save approximately \$825 and receive an additional \$600 of lendable proceeds, totaling \$1425. This program will be available in January for students in the spring term. Flyers were handed out.

Sudha Tiwari Kantor, Esq., reported on the Mandatory training on Ethics and Fiscal Control.

HESAA Employees attended Ethics training sessions conducted by the Executive Commission on Ethical Standards on September 16th and 29th. HESAA is currently scheduling make up sessions for those employees who were unable to attend those sessions.

Michael Angulo, as the Executive Director has to certify that the provision of the Executive Order 41 and other Executive Orders included in Executive Order 41 have been complied with by the Authority.

Ms. Kantor reported that HESAA received a memo on October 17th from Verice Mason of the Authorities Unit requiring all Board Members to attend the Mandatory Training on Ethics and Fiscal Controls. We will be forwarding the details to each Board member.

Ms. Kantor reported on the Plain Language Guide and handed out packages to those Board members who have not had a chance to review the guide. In addition, HESAA forwarded the Interim State of New Jersey Policy Prohibiting Discrimination, Harassment or Hostile Environment in the Workplace as well as an accompanying Acknowledgement of Receipt form, to the Board Members and had additional copies on hand if anyone had not had an opportunity to review the policy and return the receipt. Training will be scheduled for the Board members.

Warren Smith regretfully announced the resignation of Keith Green effective today. In consideration of Mr. Green's 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 Mr. Green for his service throughout the years.

ADJOURNMENT:

Mr. Smith said the next meeting would be on February 15, 2006 at 10:00 am.

A motion to adjourn was made by M. Wilma Harris and seconded by James Avery. The motion passed unanimously.

