

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

July 17, 2006

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

PRESENT: Mr. Michael Angulo, Esq.; Mr. James Avery; Mr. Raymond Castor; Mr. Kevin Collins; Ms. Wilma Harris; Dr. Harvey Kesselman; Dr. Joann LaPerla-Morales; Ms. Rossy Matos; Ms. Nancy Style, Treasurer's Designee; and Ms. Maria I. Torres, members.

ABSENT: Ms. Jean McDonald Rash and Mr. Warren Smith, Esq.

CALL TO ORDER

Vice-Chairperson Torres called the meeting to order at 10:08 a.m. and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Torres welcomed the Board members, Melissa Hager, Esquire, Deputy Attorney General and Sonia Frontera, Esquire, Governor's Appointments Office.

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

Deputy Attorney General Melissa Hager swore-in new Board members Raymond Castor, SAC representative and Dr. Joann LaPerla-Morales, County College representative.

Ms. Torres asked Ms. Merci Powell to call the roll.

MINUTES

A motion to approve the minutes of the May 24, 2006 meeting was made by Harvey Kesselman and seconded by James Avery. Kevin Collins, Dr. Joann LaPerla-Morales and Raymond Castor abstained because they did not participate in the May meeting. The remaining Board members approved the Minutes.

RESOLUTION 11:06 ELECTING A CHAIRPERSON, VICE CHAIRPERSON AND TWO MEMBERS OF THE EXECUTIVE COMMITTEE

M. Wilma Harris reported for the Nominating Committee. She stated that the Committee met on June 12, 2006 and nominated Warren E. Smith, Esquire as Chairperson, Maria Torres as Vice Chairperson, Dr. Harvey Kesselman as a member of the Executive Committee representing Institutional members, and Rossy Matos as a member of the Executive Committee representing public members.

Motion to approve Resolution 11:06 was made by Wilma Harris and seconded by James Avery. The Resolution passed unanimously. Ms. Torres thanked the Committee for their hard work.

RESOLUTION 12:06 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2006-2007:

Ms. Sherry Fox presented this item to the Board.

Resolution 12:06 will establish a table of full-time Tuition Aid Grant (TAG) award values for the 2006-07 academic year, in accordance with the provisions of the Fiscal Year (FY) 2007 Appropriations Act.

The FY2007 Full-Time TAG appropriation of \$214,729,000 represents an increase of \$5,821,000 over last year's appropriation. In keeping with the intent of the Appropriations Act, awards for students attending both public and independent institutions who demonstrate the highest need (the first NJEI cell of the TAG Table) have been increased based on 2005-06 tuition levels. In addition, \$5 million of the appropriation must be used to increase maximum awards above 2005-06 tuition levels to partially offset any 2006-07 tuition increases. As a result, maximum TAG awards will increase by an average of 12.2% across all sectors. Award increases for all other TAG recipients are based on 2003-04 tuition levels, which will result in an average increase of 7.5% across all sectors.

As shown in Attachment B to the Resolution, budgeted FY2007 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, 2006, as well as refunds recognized after July 31, 2006. 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 unanticipated increases in the number of applicants qualifying for full-time TAG awards. Additionally, supplemental appropriations are available should these 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.

Ms. Fox recommended that the Board approve the Full-Time FY2007 TAG Award Table displayed in Attachment A to the Resolution.

A motion to approve this resolution was made by M. Wilma Harris and seconded by Kevin Collins.

Dr. Kesselman asked when the TAG tables moved to a three-year lag. Sherry Fox responded the TAG award first supported a three-year lag for those students not in the first cell in 2002-2003.

After a brief discussion this motion was passed unanimously.

RESOLUTION 13:06 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2006-2007

Ms. Sherry Fox presented this item to the Board

Resolution 13:06 will establish a table of Part-Time Tuition Aid Grant award values for the 2006-07 academic year, in accordance with the provisions of the Fiscal Year 2007 Appropriations Act.

The FY2007 Part-Time TAG appropriation of \$4,941,000 is \$490,000 higher than last year's appropriation. This appropriation is sufficient to increase part-time award values for the first time since the spring 2004 semester, while allowing for an anticipated increase in the number of award recipients.

The Part-Time TAG Award Table shown in Attachment A was constructed following the parameters used to develop the 2006-07 Full-Time TAG Table. That is, awards for students demonstrating the highest need are based on 2005-06 tuition levels, while all other awards are based on 2003-04 tuition levels.

As provided in the FY2007 Appropriations Act, the Part-Time TAG awards were prorated within the limits of available appropriations against full-time awards as follows:

Award values for students enrolling for 6 – 8 credits are set at 50% of the value of full-time TAG awards, while awards for students enrolling for 9 – 11 credits are set at 75% of the full-time TAG awards.

These part-time award values were then proportionately reduced to remain within the available appropriation. The 2006-07 part-time TAG awards for students demonstrating the highest need were increased by 10% over 2005-06 levels, while all other awards were increased by approximately 6.6%.

Ms. Fox recommended that the Board approve the Part-Time TAG Award Table for AY 2006-07 shown in Attachment A to the Resolution.

A motion to approve this Resolution was made by Nancy Styles and seconded by Kevin Collins.

The motion passed unanimously.

RESOLUTION 14:06 ADOPTING NEW JERSEY'S STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP II (NJ STARS II) PROGRAM REGULATIONS, N.J.A.C. 9A:9-11

Robin B. Johnson, Esquire presented this item to the Board.

The “New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Program Act”, P.L. 2005 c. 359 was signed into law on January 12, 2006. (“Act”). Pursuant to section 6 b. of the act, the Higher Education Student Assistance Authority (HESAA) is responsible for promulgating rules and regulations as may be necessary to implement the provisions of the Act.

The Act took effect on June 30, 2006.

The Proposed Rule No. PRN 2006-165, was published in the May 15, 2006 New Jersey Register at 38 NJR 1975, on the HESAA website at HESAA.org, sent to the Statehouse News Media; and, secondary notice of the proposed Regulations was mailed to interested parties.

NJ STARS II is a continuation of NJ STARS that enables successful NJ STARS students to earn a bachelor’s degree at a New Jersey four-year public institution of higher education. A scholarship will be paid to the institution for each eligible student in the amount of \$2,000 per semester for up to four semesters. The amount of the scholarship will increase by one-half of the average percentage increase over the prior academic year in undergraduate tuition and fees for all four-year public institutions of higher education, not to exceed \$2,500 per semester. Institutions are required to provide institutional scholarships or waive any tuition and approved fees for up to 18 credits per semester, that exceed the sum of the NJ STARS II scholarship plus any other State or Federal grants and scholarships to which the student is entitled.

The proposed new rules govern the policy, administration and procedures for NJ STARS II are attached to the Resolution.

Motion to approve this Resolution was made by Harvey Kesselman and seconded by M. Wilma Harris.

Mr. Kesselman questioned which merit programs are in effect now that OSRP will not be extended to entering students. Francine Andrea, Chief Operating Officer for HESAA responded that the Garden State Scholarships, which included the Edward J. Bloustein Distinguished Scholar Award and the Urban Scholars Award, continue to provide \$1000 scholarships to eligible students.

Ms. Torres asked whether the Garden State Scholarships were available for students receiving NJ STARS II and Ms. Andrea responded that NJ STARS does not negate eligibility for Garden State Scholarships.

Ms. Johnson stated that there were no comments received by July 14, 2006, the end of the comment period and that if HESAA receives any comments that are postmarked by July 14, 2006 we will notify the Board.

The Resolution passed unanimously.

UPDATE ON NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP (NJ STARS) REPORT TO THE LEGISLATURE.

E. Michael Angulo, Esquire updated the Board on the status of the New Jersey Student Tuition Reward Scholarship (NJ STARS) Report. He stated that the Legislature asked HESAA to provide a report by September 30, 2006, outlining the effectiveness of this Program. HESAA is currently working on the report and hopes to have a draft to the Board prior to providing the report to the Legislature.

The report will include the amount of funding to each student, the amount of non-STARS funding to each student, the success of the program, the growth of the program and statistics on student participation. Ms. Harris asked what was being used as the barometers for success. Mr. Angulo responded that the growth of the program shows its success. Mr. Kesselman asked approximately how many students are enrolled in this program, to which Ms. Fox responded that she can get the information for him but the approximate number is 2,000 students. Nancy Styles asked if there is any indication of the number of students moving on the NJ STARS II and whether this number is a large percentage of the NJ STARS students. Fran Andrea responded approximately 550 – 600 students are moving on and this is a large percentage.

Dr. Kesselman asked what is the mechanism for determining the information for the report. Fran responded that it is the Commission on Higher Education SURE database and HESAA's own database.

STUDENT ADVISORY COMMITTEE REPORT

Ms. Gloria Green, Associate Director of Grants and Scholarships, reported on this item to the Board.

The first meeting of the 2006-2007 Student Advisory Committee (SAC) was held on June 23, 2006 at 2 Quakerbridge Plaza. Following the welcome and introductions, staff from the Higher Education Student Assistance Authority (HESAA) provided a comprehensive overview of HESAA programs, products, and services. In addition, the role and responsibilities of the SAC were also discussed.

Mr. Raymond Castor was elected to serve as Vice Chair of the 2006-2007 SAC. Mr. Castor is a student at Burlington County College majoring in Liberal Arts who serves as a Senator to the Student Government Association. He is also the Vice-President of Finance for the Burlington County College Chapter of Phi Theta Kappa, the International Honor Society of the Two Year College.

At the next scheduled SAC meeting, we anticipate Ms. La-Trenda Ross will be voted to serve as Chair of the 2006-2007 SAC. Ms. Ross is a junior at New Jersey City University majoring in psychology and has served as the Alumni Representative to the Hudson County College Board of Trustees. Ms. Ross is a founding member of the First Book Club, which promotes literacy in Jersey City through the distribution of books to needy children.

EXECUTIVE DIRECTOR'S REPORT

E. Michael Angulo reported to the Board.

Mr. Angulo welcomed our newly appointed Board members and stated that the Authority looks forward to working with them.

On July 8, the Appropriations Act was signed by Governor Corzine. The Act provides over \$2.0 billion in support to higher education including \$129.1 million that had originally been recommended for cuts by the Governor in March. The restorations included \$46.4 million in direct appropriations to the senior public institutions (Rutgers, NJIT and UMDNJ and the State Colleges), and \$63.7 million in fringe benefit costs for a total restoration to the senior publics of \$110.1 million. Appropriations for the County Colleges were increased by \$9.4 million and for the Independents by \$7.5 million.

The Appropriations Act provided \$250.2 million for HESAA programs including \$214.7 million for the Tuition Aid Grant program. The only difference with the Governor's budget recommendation was the partial restoration of Veterinary Medical Education program in the amount of \$687,000, representing approximately half of the funds originally requested. Otherwise, the Act was consistent with the Governor's budget.

While the Governor and Legislature provided level funding for the majority of our merit based programs, the appropriation for the Outstanding Scholars Recruitment Program (OSRP) was decreased by \$4.3 million. The reduced funding supports students currently in the program, but does not fund the State share of the 2006-07 freshmen cohort. As a result, some of OSRP contract institutions have publicly stated that they will fulfill the commitment to new students enrolling in the fall. HESAA will continue to advocate for the restoration of OSRP funding in future budgets.

HESAA's other hallmark programs, such as NJ Stars, the World Trade Center Scholarship and the Edward J. Bloustein Distinguished Scholars Program (just to name a few) will maintain level funding.

State funding appropriated to HESAA for administration of State programs was reduced by 15% to \$1.975 million, with additional cuts anticipated from savings mandated by the Legislature across State government. Despite reduced State assistance, the Authority is in a strong position to continue providing the top quality programs and services our students, institutions, and partners have come to expect. The Authority's revenue generating activities are critical to support both federal and State operations, and allow for comprehensive financial aid services for New Jersey students and families.

As a result of your actions today, and after the Governor approves the Board minutes, HESAA will issue revised Student Eligibility Notices reflecting the increased Tuition Aid Grant award values. Moreover, schools will receive official institution specific Tuition Aid Grant program (TAG) award tables for use in packaging financial aid. Additionally, rosters displaying each student's TAG award will be provided to schools reflecting the increased awards.

The Authority is thankful to the Governor and Legislature for their commitment to making higher education affordable and accessible for financially needy New Jersey students and their families.

The Authority is eagerly anticipating the beginning of the 2006-2007 academic year. We have a number of new, and improved, programs designed to assist students with their higher education expenses.

These include the first class of NJ STARS II scholars to our four-year public institutions, as well as the third class of STARS students entering our county colleges. STARS has been growing every year since it began. We also continue to actively administer recently implemented programs such as the Social Services Student Loan Redemption Program, and the OB/GYN Student Loan Expense Reimbursement Program.

HESAA is working to make federal loans borrower friendly. I previously mentioned the provisions of the Federal Higher Education Reconciliation Act (HERA) and its significant impact on students and the Authority. Under the Act, effective July 1, 2006, all FFELP loans must be assessed a 1% default fee. This fee must be charged to the borrower or paid by the lender or guaranty agency from non-federal sources. In an effort to minimize the burden on our students, HESAA has been negotiating with our lender partners to hold the students harmless from this fee. We appreciate the cooperation of Sallie Mae, Nelnet, Bank of America and PNC who have agreed to pay this fee for New Jersey students. Though some lenders have not yet joined in this endeavor, rest assured that we will continue with our efforts. In the meantime, HESAA will pay the fee on behalf of the students where the corresponding lender will not. This fee will not be paid out of State taxpayer resources.

We are pleased to advise the Board that effective January 2007, another State university will be returning to the Federal Family Education Loan Program (FFELP) administered by HESAA. The continued conversion of institutions to FFELP is a testament to the Authority's competitiveness and diligence. As you already know, the additional revenue generated from this institution will be reinvested towards sustaining the State's financial aid programs and services. This is a "win win" scenario for all, the school, the Authority, the State, and our students.

HESAA's loan products continue to be favorable options for students and families financing an education. Our NJLIFE loans are an affordable Stafford loan option for our highest need students. NJLIFE is a no fee loan that offers up to a 3.5% principal reduction. We anticipate that NJLIFE will assist over 25,000 students achieve a net savings of over \$8 million in year 1. Because NJLIFE is funded by Authority revenue, and NOT taxpayer dollars, eligibility is limited to students attending institutions in the FFELP program, as administered by the Authority.

The State's premier supplemental loan program, NJCLASS, continues to be the best alternative loan for New Jersey's students. This year's 6.4% fixed rate is nearly 200 basis points below the Federal PLUS loan and most other private alternative loans.

In reviewing NJCLASS originations, I would like share some extraordinary statistics with you. Comparing monthly volume, NJCLASS approvals increased by 43% for the month of June 06

compared to the volume in June 05. This represents an increase of 160 loans reflecting an additional \$5,493,222 over that same period last year. When looking at the month of July, we anticipate the July volume to increase over 93% - nearly double the volume as compared to the same month last year - reflecting an increase in July loan approvals of 1,544 loans for a total monthly increase of \$30,274,316. By the close of July, we expect to approve over 3,800 loans totaling \$62,575,990.

We attribute the rapid growth in NJCLASS to:

- increased targeted marketing to families of college bound NJ students;
- the efforts of the Bond Issue work group comprised of Finance, Operations and Client Services staff. This group spent last Spring redesigning the NJCLASS program resulting in the competitive advantage of our interest rates and enhanced program features including extended length of repayment and lower origination fees;
- the efforts of Information Services and Technical Services staffs in the development of web-based loan applications and real time credit approvals;
- the dedication and hard work of the Authority's Originations Processing team (which receives and reviews applications), and Client Services and Solutions Team (which provides support to schools);
- the support and cooperation of NJ colleges and universities who counsel their students on choosing the best financing options available; and
- the HESAA Board's support for related initiatives —including our systems upgrade to provide on-line applications.

The success of the NJCLASS program has truly been an agency-wide team effort.

The Authority will continue its role as an innovator in financial aid programs. From our need-based and our merit-based aid programs, to our low interest rate loan products, the Authority continues to make college accessible and affordable.

As staff begins to prepare for the development of the Board's FY 2008 budget recommendation, HESAA will evaluate the potential cost of incorporating some of the need analysis provisions of the Federal FY 2005 Higher Education Reconciliation Act (HERA). These provisions could potentially extend TAG eligibility to new students and increase the financial need of current program participants.

Finally, in addition to thanking Governor Corzine and the Legislature, I would like to thank Jane Oates, Executive Director of the Commission on Higher Education, for her strong support of HESAA programs. This was critical during the recent budget process. The Authority looks forward to our continued strong working relationship.

NEW BUSINESS

The Executive Committee will convene a Budget Committee meeting in September, 2006.

ADJOURNMENT

Ms. Torres stated that the next meeting would be on October 17, 2006.

A motion to adjourn was made by Harvey Kesselman and seconded by James Avery. The motion passed unanimously.

The meeting adjourned at 10:54 pm.