

## **MINUTES**

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

April 28, 2010

The Higher Education Student Assistance Authority (HESAA) Board held a meeting by conference call on April 28, 2010 at 10:00 am from the HESAA offices in Hamilton.

**PRESENT:** Mr. Michael Angulo, Esquire; Mr. Richard Garcia; Mr. Edward Graham Ms. Wilma Harris; Dr. Harvey Kesselman; Ms. Rossy M. Matos; Ms. Jean McDonald Rash; Mr. Warren Smith; Ms. Nancy Style, Treasurer's Designee; Ms. Maria I. Torres and Kristy Van Horn, members.

**ABSENT:** Mr. Julio Marengo; Mr. Jonathan Nycz; and Mr. Ron Subramaniam.

Also participating via teleconference was Johanna Jones, Governor's Authorities Unit.

Participating in Person: Cheryl Clarke, Deputy Attorney General.

#### **CALL TO ORDER**

Chairwoman Torres called the meeting to order at 10:02 am 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 and notified them that because the meeting is being held via teleconference, Roseann Sorrentino will conduct a roll call for the resolutions.

Ms. Torres welcomed Johanna Jones from the Governor's Authorities Unit and Cheryl Clarke, Deputy Attorney General.

Ms. Torres asked Ms. Roseann Sorrentino to call the roll.

#### **CONSIDERATION OF THE MINUTES OF THE FEBRUARY 22, 2010 MEETING:**

A motion to approve the minutes of the February 22, 2010 meeting was made by Warren Smith and seconded by Harvey Kesselman. The minutes were approved unanimously.

#### **CONSIDERATION OF THE MINUTES OF THE APRIL 9, 2010 MEETING:**

A motion to approve the minutes of the April 9, 2010 meeting was made by Wilma Harris and seconded by Nancy Style. The minutes were approved unanimously with four recusals, Richard Garcia, Edward Graham, Harvey Kesselman and Jean McDonald Rash because they did not participate in the April 9, 2010 meeting.

**RESOLUTION 02:10: ADOPTING A SCHEDULE OF MEETINGS FOR FISCAL YEAR 2011**

Marnie Grodman, Esq., presented Resolution 02:10 to the Board.

At the last Board meeting of the fiscal year HESAA sets the meeting schedule for the next fiscal year in order to provide notice to the public. After polling the board members regarding their availability it is recommended that for fiscal year 2011 Thursday July 22, 2010, Wednesday October 20, 2010, Tuesday January 25, 2011 and Tuesday April 26, 2011.

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

A motion to approve Resolution 02:10 was made by Richard Garcia and seconded by Rossy Matos. The FY 2011 meeting schedule was approved unanimously.

**RESOLUTION 03:10: REAPPOINTING MERCADIEN, PC AS INDEPENDENT AUDITOR**

Harvey Kesselman presented this Resolution to the Board

Following the February 22, 2010 Board meeting, the Audit Committee met to discuss extending the Mercadien, PC contract for the first of two optional one year periods. The Committee expressed their unanimous support of the audit work conducted by Mercadien, PC and their clear presentations of audit results. Therefore, the Committee recommended to the Full Board the reappointment of Mercadien, PC to serve as the Authority's auditor for the Fiscal Year ending June 30, 2011 as outlined on the attached Resolution 03:10 – Reappointing Mercadien, PC as Independent Auditor.

Motion to approve the resolution was made by Nancy Style and seconded by Wilma Harris. The motion was adopted unanimously by roll call.

**CHAIR TO ANNOUNCE NOMINATING COMMITTEE APPOINTMENTS**

Ms. Torres announced that Wilma Harris has agreed to chair the Nominating Committee and that Warren Smith and Dr. Harvey Kesselman have agreed to be on the Nominating Committee. Ms. Torres thanked them for agreeing to be on this committee. The Nominating Committee will meet in June to select the Chair, Co-Chair and Executive Committee for the HESAA Board, which will be announced at the July meeting.

**EXECUTIVE DIRECTOR'S REPORT**

Executive Director Michael Angulo made the following report to the Board:

Over the last several months, there have been significant changes within the financial aid arena on both the state and federal levels. To review the March 18<sup>th</sup> email to the Board containing a summary of Governor Christie's proposed state budget:

Governor Christie's recommended FY 2011 budget totals \$29.3 billion, a reduction of approximately a 9% from the prior year, and \$10.7 billion below the original State budget projection. Many state funded programs were either recommended for suspension, reduction, or elimination. Although programs administered by HESAA received a net increase in appropriation of \$18.6 million, many of our programs were recommended for decreases, with associated budgetary footnote language closing a number of programs to new applicants in FY 2011.

The full-time Tuition Aid Grant program recommended funding level for FY 2011 is \$292.598 million. While this is an increase of \$43.5 million or 17.4% above the FY 2010 original appropriation of \$249.1 million, the proposed appropriation is below projected FY 2010 end-of-year expenditure levels. Due to the increase of more than 5,300 students eligible for Full Time equivalent TAG awards, a 9.3% increase, and the increased need by these students as a result of the economic downturn, the original FY 2010 appropriation of \$249.1 million was insufficient to fund all eligible students. Consequently, the TAG program's contingency reserve of \$6.55 million, and an additional supplemental appropriation of \$20.3 million were required to pay TAG awards this year. The FY 2010 \$20.3 million supplemental appropriation is recommended to be continued in FY 2011. The one-time \$34.1 million in federal stimulus funds is recommended to be replaced by State funds in FY 2011. However, because the program contingency funds have been exhausted and anticipating an additional increase in eligible students FY 2011, awards will likely have to be reduced from 2009-10 levels.

Additionally, TAG awards for students at traditional, not-for-profit independent schools are recommended to be capped at the maximum levels received by students attending public four-year State colleges and universities. Other than this footnote requirement, the Board will have more latitude than in the recent past to establish the parameters of TAG award tables. HESAA staff will be discussing with the Board Budget Committee alternative recommendations for the FY 2011 TAG award table prior to bringing it to the full Board for approval in July.

The recommended funding level for the Part-time Tuition Aid Grant Program is \$9.611 million which will accommodate the projected increase in the number of eligible students, but will require that awards be reduced from 2009-10 levels. Student Eligibility Notices (SENs) will be sent out over the next few weeks notifying students of their eligibility and also advising them that the awards are expected to decrease in July based on the recommended funding levels.

As for the NJ STARS program, recommended budgetary footnote language precludes funding for non-renewal students, as well as funding for full-time summer awards as is the case for awards this summer. All other current NJ STARS and NJ STARS II award recipients will be unaffected. Funding for the NJ STARS programs is recommended to be \$20.139 million for FY 2011.

The recommended funding level for the Coordinated Garden State Scholarship Programs is \$5.352 million which will provide awards of \$930 for renewal students. Non-renewal students will not be funded in the proposed budget.

Funding for the Survivor Tuition Benefits Program has been reduced to \$38,000 and non-renewal student awards will be suspended.

The Veterinary Medical Education Program has recommended funding of \$170,000 reflecting the continuing phase out of the program.

As proposed, recommended funding for the following programs was reduced to reflect the suspension of non-renewal awards:

Social Services Loan Redemption Program	\$ 700,000
Primary Care Physician and Dentist Loan Redemption Program	\$1.500 million
NJ World Trade Center Scholarship	\$ 202,000
Teaching Fellows Program	\$ 70,000

The Dana Christmas Scholarship for Heroism will not receive any funding, so no awards will be made.

Finally, funding for the administration of the state grant aid programs has been reduced by \$266,000. As in the past, HESAA will absorb this reduction through non-state revenue sources.

HESAA provided testimony to the Assembly Budget and Appropriations Committee and will also testify before the Senate Budget and Appropriations Committee tomorrow.

Throughout last year, the Authority closely monitored financial aid activities on the federal level. As previously discussed, the Student Aid Financial Responsibility Act (SAFRA) called for the discontinuation of the Federal Family Education Loan program in favor of the Direct Loan program. After a lengthy and contentious debate, Congress, through the budget reconciliation process, passed the Health Care and Education Reconciliation Act of 2010 which contained many of SAFRA's provisions. On March 30, President Obama signed the Reconciliation Act of 2010 into law.

Effective on July 1, 2010, all new federal loans will now be originated and serviced through the Direct Loan program. Through savings realized from the consolidation of loan programs, many of our students will see increased Pell Grants. The maximum Pell Grant award will go to \$5,550 for 2010 through 2013, and then will be increased thereafter using a CPI that will bring the maximum award to an estimated \$5,975 by 2017.

Without question, these changes will have an impact on HESAA. HESAA will no longer issue guarantees on future federal student loans. Going forward, the Authority will focus on its remaining revenue generating operations, including servicing our existing FFELP loan portfolio of over \$4 billion, expanding NJCLASS and NJBEST, while pursuing new opportunities, including contracting with the USDE as a non-profit servicing contractor under the Direct Lending Program, and grant awards under the College Access and Completion Fund. Both of these federal opportunities were made available under the Reconciliation Act of 2010. The Authority should have sufficient revenue to continue funding the administration of the State's

grants and scholarship programs, as well as, the numerous outreach programs and services that are offered.

As discussed at the last Board meeting, efforts HESAA was making to automate the collection of certain pieces of information no longer collected on the Free Application for Federal Student Aid (FAFSA). The Authority is collecting certain information in order to save at least \$10 million in FY 2011 and at least that amount in subsequent years. Initially, upon notification of the modifications to the FAFSA, HESAA hoped to be part of the pilot program with the US Department of Education that would allow a limited number of states to link their websites to the FAFSA on the Web to collect these data elements. Unfortunately, the Department has had to delay this pilot to focus on other priorities. Therefore, the Authority has continued to develop and implement an on-line method for students and parents to use to provide the three data elements necessary to calculate state grant aid eligibility. The system went live on April 13th.

While recognizing that providing this additional data is an additional step in the process, it was necessary to move in this direction because of continued streamlining of the FAFSA, increasing application volume, and the need to contain costs in light of the on-going fiscal challenges facing the State. As an advisory to the Board, over the last 2 days, the Authority's network has experienced technical difficulties which have been addressed, and our site has been functioning properly as of last night. HESAA has dedicated significant resources to the issue and are giving this highest priority to ensure against future disruptions. The Authority apologizes for any inconvenience to our institutions and students.

HESAA staff has been meeting with bond counsel and financial advisors in preparation for the 2010 NJCLASS bond issue. This year, HESAA has \$387 million in bond cap, and plans to issue a \$387 million offering which in combination with available carryover will be sufficient to meet next year's NJCLASS loan demand as well as help address the remaining auction bonds in our 1998 master trust indenture. As in prior years, HESAA plans to continue offering its array of NJCLASS products including the fixed rate program, the Graduate/Professional fixed rate program, the Med NJ program and the NJCLASS Consolidation program.

In preparation for the upcoming application cycle, the Authority is evaluating the best practices that promote responsible borrowing. Upon close examination of the current portfolio of borrowers and their repayment habits the Authority will be making some minor but meaningful changes to encourage borrowers to consider options that minimize debt.

As has been the case over the past few years, borrowers who begin immediate repayment of principal and interest will be charged the lowest interest rate possible and will continue be charged a 2% origination fee that is deducted from the loan proceeds.

Borrowers who opt to pay interest only while in school will now be required to make monthly payments rather than quarterly payments in response to many borrowers who feel that this option will assist them in managing their budget more efficiently.

Recognizing that some families may not be in a position to make regular payments while the student is in school, HESAA will continue to allow for a full deferment of principal and interest.

The Authority is exploring a 10-year loan term to assist those families in meeting tuition costs over the shorter term. HESAA has received numerous requests from families looking for a shorter term loan as a cash-flow solution. These borrowers are capable of making larger monthly payments immediately and want to maximize their savings. This shorter loan term will be offered at a significantly lower interest rate with limited forbearance options. Preliminary analysis indicates the interest rate on this loan may be a full 2% below that of Direct PLUS.

Regardless of the State and federal changes, HESAA remains committed to providing comprehensive assistance and services for students, families and the institutions of New Jersey. The Authority is proactively pursuing alternate revenue opportunities, strengthening operations, enhancing products and services, and leveraging technology and partnerships to ensure the continuity of financial aid assistance that New Jersey students and families rely on.

At the conclusion of the report, Harvey Kesselman requested the Executive Director's Report be distributed to Board members and Michael Angulo stated it would be distributed after the meeting. Maria thanked Michael for the detailed report containing information to help understand the problems students and families are facing in the state.

## **NEW BUSINESS**

Harvey Kesselman announced that he was named the Provost and Executive Vice President of Richard Stockton College, following a national search.

## **ADJOURNMENT**

Ms. Torres announced the next Board meeting is scheduled for July 22, 2010. A motion to adjourn was made by Dr. Kesselman and seconded by Ms. Harris. The motion passed unanimously.

The meeting adjourned at 10:33 am.