



*The Authority on Financial Aid*

# 2009 ANNUAL REPORT

## **HESAA's Mission**

The Higher Education Student Assistance Authority (HESAA) is a New Jersey authority that is responsible for providing students and families with financial and informational resources for students to pursue their education beyond high school. These include grants, scholarships, loans, loan redemption programs, a college savings plan and comprehensive outreach programs.

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## **A MESSAGE FROM THE EXECUTIVE DIRECTOR**

As Executive Director of HESAA, it is a privilege to lead an organization that is a recognized leader in providing students with the financial aid information resources needed to make higher education affordable and accessible. To date, HESAA has delivered approximately \$20 billion in State and Federal financial aid, and assisted over 5 million students. The State's continued commitment to providing those resources allows New Jersey to sustain a highly educated workforce critical for the State's economic success.

HESAA is a valuable resource throughout a student's life. HESAA educates families on the values of disciplined savings as early as possible through the NJBEST Program. NJBEST, the State's 529 College Savings Plan, provides extensive investment opportunities for families. Among them is a scholarship component, unique to NJBEST, for students who qualify to attend college in State. Additionally, in 2009 NJBEST grew to over \$2.29 billion assets under management.

New Jersey ranks near the top of the nation in the amount of grant and scholarship assistance per student recipient. HESAA is privileged to administer New Jersey's Tuition Assistance Grant program (TAG) which provides financial grants to the State's neediest students. Both full and part time college students in New Jersey are able to take advantage of this substantial program. NJ STARS allows students who graduate in the top 15% of their high school class to attend community college tuition free while also covering other college-related fees. Through NJ STARS II, eligible NJ STARS students are able to continue tuition free to complete their four-year degree at one of New Jersey's State or public institutions. We are proud of the fact the NJ STARS and NJ STARS II programs are among the most successful student aid programs in the State's history.

HESAA recognizes that for many students financial aid is a long-term consideration. As the need to finance an education grows, so does HESAA's role as an informational resource for students. Throughout 2009, HESAA continued in its role as guarantor of Federal Family Education Loans and as lender and servicer of the State's NJCLASS Supplemental Student Loan Program. Additionally, HESAA was actively involved in reaching out to students to encourage loan repayment and to provide much needed education in financial literacy. Among its helpful programs, Real Money 101 was presented to several thousand students at over 100 statewide workshops and other venues. By emphasizing fiscal responsibility, HESAA helps students to avoid unnecessary and costly debt, protects against default, and preserves students' credit worthiness. In today's challenging economy, those benefits are ever more valuable.

We also recognize the importance of ensuring that our State's students have access to accurate and critical college planning information and assistance well before they enter their Freshman year. HESAA hosts high school guidance counselor workshops to provide timely, comprehensive instruction on a wide range of subjects to better equip New Jersey's dedicated

high school guidance counselors in their efforts to better serve our college-bound students. HESAA also maintains close ties to the financial aid professionals throughout New Jersey's institutions of higher education, providing numerous substantial training seminars, programs and focused programmatic training throughout the year.

As a not for profit, HESAA reinvests revenue towards enhancing financial aid programs, services, and outreach. By working with New Jersey's students throughout their lives, HESAA promotes the social and economic benefits of a college education. This not only expands economic opportunities for students, but also fosters desirable social and economic conditions in the State.

Thank you for your support of HESAA. We are proud of our important role in making higher education affordable and accessible to New Jersey students and their families.

Sincerely,

A handwritten signature in black ink that reads "Michael Angulo". The signature is written in a cursive style with a large, sweeping initial "M".

E. Michael Angulo

# **HESAA Makes Education Accessible and Affordable**

## ***GRANTS***

One of the nation's premier need-based programs, Tuition Aid Grant (TAG), provided approximately 62,500 awards totaling \$255 million in FY 2009. In FY 2008 approximately 59,200 awards totaling \$229.5 million were provided.

HESAA also supports the infrastructure used by the Commission on Higher Education to administer the Educational Opportunity Fund (EOF) Program the Commission on Higher Education that provides grants to approximately 12,300 students.

## ***SCHOLARSHIPS***

HESAA awards over 14,000 merit-based scholarships annually, helping to keep the State's high achieving students in New Jersey through the Edward J. Bloustein Distinguished Scholar Award, Urban Scholar Programs, NJ STARS and NJ STARS II Programs.

## ***COLLEGE SAVINGS PLAN***

NJBEST provides the opportunity to start an independent savings account for a child's college fund, and offers a scholarship for eligible savers who attend school in New Jersey.

## ***STUDENT LOAN PROGRAMS***

During FY 2008 and 2009, respectively, HESAA guaranteed nearly 307,000 Federal Family Education Loan Program (FFELP) loans, exceeding \$1.3 billion. Additionally, HESAA provided 1252 Federal Consolidation Loan guarantees equaling \$28.4 million.

HESAA's NJCLASS programs is one of the nation's leading and lowest cost fixed-rate supplemental student loan programs, and has, over the past two years provided almost 55,000 loans exceeding approximately \$691 million.

# Grants and Scholarships

## ***Tuition Aid Grant (TAG)***

Helping students who attend New Jersey institutions, TAG consistently ranks among the top five grant programs in the nation, based upon award values.

- FY 2008 AWARDS: 59,222 students totaling \$229,483,646
- FY 2009 AWARDS: 62,428 students totaling \$255,023,149

## ***Part-Time Tuition Aid Grant (TAG) for County College Students***

Students enrolled for between 6 and 11 credits in a degree or certificate program at any of New Jersey's 19 county colleges may be eligible for these awards.

- FY 2008 AWARDS: 8,545 students totaling \$5,337,114
- FY 2009 AWARDS: 9,853 students totaling \$6,455,254

## ***Educational Opportunity Fund Grants (EOF)***

This program provides financial assistance and educational support services to low-income New Jersey undergraduate and graduate students.

- FY 2008 AWARDS: 13,691 students totaling \$16,720,933
- FY 2009 AWARDS: 13,485 students totaling \$16,563,722

## ***Edward J. Bloustein Distinguished Scholar Award***

This four-year renewable scholarship recognizes the exceptional academic performance of New Jersey's high school students. The award is based upon a student's high school class rank and SAT scores.

- FY 2008 AWARDS: 5,583 students totaling \$5,052,886
- FY 2009 AWARDS: 5,396 students totaling \$4,874,060

## ***Urban Scholar Award***

Based on class rank and high school GPA, this renewable scholarship is designed to support students from the State's urban and economically distressed areas.

- FY 2008 AWARDS: 2,245 students totaling \$1,966,692
- FY 2009 AWARDS: 2,287 students totaling \$2,013,882

## **Last year, HESAA delivered over \$1.2 billion in aid to assist students achieve their educational goals**

### ***Student Tuition Assistance Reward Scholarship (NJ STARS)***

New Jersey students graduating in the top 20% of their 2008 high school class and the top 15% of their 2009 high school class may be eligible for this program, which pays county college tuition and approved fees for up to 15 credits per semester, for up to 5 semesters.

- FY 2008 AWARDS: 3,464 students totaling \$9,413,683
- FY 2009 AWARDS: 4,326 students totaling \$12,834,419

### ***NJ STARS II***

NJ STARS II recipients are NJ STARS eligible students who graduated from a community college with a 3.0 or better GPA.

- FY 2008 AWARDS: 777 students totaling \$2,758,712
- FY 2009 AWARDS: 1,427 students totaling \$5,189,568

### ***Veterinary Medical Education Program***

HESAA administers contractual agreements with out-of-state schools of veterinary medicine for New Jersey residents.

The following schools have participated in recent years:

- University of Pennsylvania
  - Cornell University
  - Tuskegee University
  - Iowa State University
  - Oklahoma State University
  - University of Illinois
  - Tufts University
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- FY 2008 AWARDS: 74 students totaling \$664,545
  - FY 2009 AWARDS: 58 students totaling \$709,456

## ***Outstanding Scholars Recruitment Program (OSRP)<sup>1</sup>***

OSRP rewards New Jersey's highest-achieving students with scholarships to attend participating New Jersey colleges and universities. Awards are based upon class rank and combined SAT scores. Eligible recipients can receive up to \$7,500 annually.

- FY 2008 AWARDS: 2,518 students totaling \$6,948,654
- FY 2009 AWARDS: 1,257 students totaling \$3,000,300

## **Loans & Outreach**

### ***Federal Family Education Loan Program (FFELP)***

As one of the original guaranty agencies in the Federal Family Education Loan Program, HESAA works on behalf of the federal government to provide guarantees for federal student loans. Since 2000, HESAA has saved students well over \$39 million in federal default fees charged on student loans.

Based upon significant changes to the federal higher education landscape, as of July 1, 2010, the FFELP program has been largely abolished, with no new loans originated under the FFELP program; however, HESAA will continue to act as guarantor for FFELP loans which were made prior to July 1, 2010. Additionally, the Authority has been accepted for the United States Department of Education's list of eligible not-for-profit servicers which will allow HESAA to continue to pursue opportunities to service loans made under the Federal Direct Loan Program in the future.

### ***College Loans to Assist State Students (NJCLASS)***

HESAA helps students and families close the gap between financial aid and college costs by providing the NJCLASS loan. Available to New Jersey residents as well as out of state students who attend school in New Jersey, NJCLASS offers one of the most affordable fixed-rate supplemental loans in the entire nation.

### ***Hesaa.org Website***

HESAA provides timely, reliable information that students, their parents and financial aid professionals can access around the clock.

### ***Mapping-Your-Future.org***

Information on selecting a school, planning for college, and paying for college can be found at this award-winning website, co-sponsored by HESAA. The site schedules forums to answer questions for students and their families.

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<sup>1</sup> Reductions in FY 2009 OSRP awards reflect the phase-out of the program which commenced in FY 2007 pursuant to the elimination of OSRP program appropriations.

## ***R.E.A.L. Success***

HESAA offers a Repayment Education about Loans (R.E.A.L.) Success program that educates students about the importance of repaying their student loans, managing delinquencies and controlling defaults.

The program is comprised of six components and includes *Real Money 101* – a curriculum designed to address these issues – and Cohort e-manager, which allows schools to manage delinquencies and reduce defaults.

### **HESAA'S CONTRIBUTIONS TOWARDS ADVANCING THE ECONOMIC GROWTH STRATEGY OF THE STATE OF NEW JERSEY**

Throughout 2009, the HESAA was proud to continue its long-standing tradition of promoting the State's overarching economic growth strategy. The State Office of Economic Growth identified the development of a world-class workforce as a priority in advancing the State's program for economic growth. Once again, HESAA was at the forefront of the State's critical initiatives in assisting the State's students obtain a higher education critical for competing in our global economy. As a direct result of services and expertise provided by the dedicated and professional HESAA staff, more New Jersey students than ever before were provided with the resources to access and afford a higher education. The most recently published statistics reveal that approximately 85.3% of New Jersey's high school graduates intend to continue their postsecondary education and, in 2008, HESAA assisted a great number of those students by providing one or more critical services, including student loan guaranties, grant and scholarship funds, loan redemptions, low cost private student loans, student loan servicing and student outreach.

In fiscal year 2008, the Authority administered over \$954 million in loan volume between the NJCLASS Private Supplemental Loan Program and Federal Family Education Program Loans. Specifically, HESAA administered \$954,106,269 in loan volume dollars in fiscal year 2008 to benefit New Jersey students and their families, an approximate 10.2% increase over fiscal year 2007 loan volume. The Authority processed 167,575 individual loan applications in fiscal year 2008.

In fiscal year 2009, the Authority administered over \$1 billion in loan volume between the NJCLASS Private Supplemental Loan Program and Federal Family Education Program Loans. Specifically, HESAA administered \$1,061,027,255 in loan volume dollars in fiscal year 2009 to benefit New Jersey students and their families, an approximate 11.2% increase over fiscal year 2008 loan volume. The Authority processed 193,863 individual loan applications in fiscal year 2009.

In addition, HESAA processed 392,690 grant applications and awarded \$262,677,870 in grant funds to New Jersey students in fiscal year 2008. HESAA processed 438,805 grant applications and awarded \$291,160,421 in grant funds to New Jersey students in fiscal year 2009. The combined grant and loan dollars administered by HESAA assist individual students as they advance their goals of achieving education beyond high school and advance the state's interests in maintaining and growing a highly educated and highly skilled work force by promoting greater retention of New Jersey's students. Greater retention of New Jersey's highly educated and highly skilled work force further promotes the State's economic interests by attracting high tech and other beneficial businesses to the State.

Retention of the State's best and brightest students was further promoted in calendar year 2008 by the Authority's administration of the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) and New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Programs. Each of these

programs contributed to the retention of the state's best and brightest students by providing tuition and approved fees for qualifying students for up to 18 credits per semester for attendance at the resident county college (NJ STARS) and by providing between \$3,000 and \$3,500 per semester for qualifying students who transfer from a county college to a 4 year public college (NJ STARS II). These programs, together with the additional grant and scholarship programs administered by HESAA, promoted the State's economic priority of the continued development of a world-class, highly educated work force.

The most recently published statistics from the United States Bureau of Labor Statistics reveal annual compensation figures based upon attained educational degrees as follows:<sup>2</sup>

- High School Diploma - \$31,286
- Bachelor Degree - \$57,181
- Advanced Degree - \$78,093

Increased annual salaries result in increased income tax revenues, thereby advancing the State's economic growth. Again, in 2008, HESAA was proud to assist a greater number of New Jersey's students in attaining their goals of higher education, and administer programs designed to retain a higher percentage of those students in the State. These same programs further promote the State's interest in attracting new businesses, including new technology and high technology businesses, by virtue of a more highly trained and better educated work force.

In 2009, the Authority continued its administration of various loan redemption programs, each of which advanced the State's interests in strengthening critical service infrastructure needs in New Jersey's underserved communities. HESAA's administration of the Social Services Student Loan Redemption Program (SSLRP) provided incentives for college graduates to work in the social services field with public or non-profit social service agencies. The program is designed to address the current and projected shortage of social service direct care professionals in the State of New Jersey, and to ensure the provision of quality services to persons in need of services, including persons with mental illness, developmental and other disabilities. In 2009 The Social Services Student Loan Redemption program provided loan redemption to recent college graduates who were hired as full-time direct care professionals at eligible social service agencies. Eligible participants received \$5000 per year of full-time qualified service for up to four years, \$20,000.00 maximum.

In addition, the Authority administered the Teaching Fellows Program which recognizes New Jersey's shortage of teachers who instruct students in the critical area needs of mathematics, science, foreign language, and special education. Additionally, the Program recognizes the difficulty that certain New Jersey school districts have in acquiring and retaining talented teachers. In 2009, the Teaching Fellows Program addressed these issues by rewarding those teachers that accepted positions in selected school districts in New Jersey with offers of student loan redemption. As in previous years, HESAA was proud to play a significant role in helping to attract highly qualified and motivated educators to New Jersey's underserved communities.

Finally, the Authority administered the Primary Care Physician and Dentist Loan Redemption Program again in 2009. This program promotes access to primary care services in medically underserved areas of the State by improving the distribution of primary care health providers, including physicians, dentists, physician assistants and certified nurse practitioners and certified nurse midwives, by redeeming eligible

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<sup>2</sup> High School Diploma and Bachelor Degree compensation published April 27, 2009. Advanced Degree compensation published October 26, 2006.

student loan expenses of providers in exchange for specified periods of service in medically underserved areas. The program provides up to \$120,000 in student loan redemption for two to four years of service as a primary care provider in areas of medicine defined by the Commissioner of Health and Senior Services or the U.S. Department of Health and Human Services in areas identified by the Commissioner of Health and Senior Services as experiencing a health professional shortage.

HESAA has always been proud of its role in helping to support and strengthen New Jersey's underserved communities by administering these loan redemption programs and 2009 was no exception.

### **HESAA'S CONTRIBUTION IN FURTHERANCE OF THE STATE'S PRIORITY OF PROMOTING FISCAL RESPONSIBILITY**

Unlike other State Agencies and Authorities whose fiscal viability is dependent upon State appropriations, HESAA is overwhelmingly self-supported by its own revenue. In 2009, over 97% of the Authority's operating costs were supported by non-State appropriated funds. HESAA's non-State revenue supported the administration of State and Federal student aid programs, financial aid training, outreach programs, and provided direct borrower benefits to New Jersey students.

Notably, pursuant to N.J.S.A. 18A:71A-9p, HESAA is tasked by the State Legislature with audit oversight authority over institutional disbursement of State-funded financial aid dollars. In 2008 and 2009, through HESAA's program audit function, the Authority recovered over \$1.12 million in State-funded student assistance which it determined to have been improperly disbursed by institutions of higher education. All of the recovered funds were placed back into student financial aid program accounts for future student financial aid program use, thereby reducing the need for future State-appropriated funds.

In furtherance of promoting fiscal responsibility, HESAA refinanced approximately \$420,000,000 of Auction Rate Bonds (ARCs) to less costly fixed-rate securities, significantly reducing the Authority's ongoing debt service on those bonds and further reducing the Authority's exposure to potential increases in interest rates. Moreover, action taken by HESAA's Board in December of 2009 allowed the Authority to refinance the vast majority of remaining ARC bonds in 2010.

HESAA participates the State's comprehensive internal control management and evaluation program as determined by the New Jersey Treasurer's Office of Management and Budget (OMB) and that process revealed no weaknesses in the Authority's internal control environment. Moreover, HESAA complies with all State-mandated procurement and financial control directives. HESAA's accounts are on the Treasury's cash management system and the Authority's off-line accounts are audited by an independent public accounting firm. No findings were issued by the Authority's independent auditors, Mercadian, PC.

2009 proved to be a challenging year for our Nation's and for New Jersey's economy but New Jersey's high-achieving and forward-thinking students relied on HESAA and all of the Authority's dedicated professionals more than ever before as they reached for and successfully completed their goals of achieving higher education. It is a privilege for HESAA to be a partner in assisting students and their families realize their educational dreams and we are proud to remain an integral part of assuring that New Jersey not only maintains, but grows an ever expanding, highly educated workforce.

**State of New Jersey  
Higher Education Student Assistance Authority  
Combined Statements of Net Assets**

	June 30,	
	2009	2008
<b>Assets</b>		
<b>Cash and Cash Equivalents</b>	\$ 512,391,235	\$ 105,200,978
<b>Investments</b>	2,140,537,265	2,405,590,831
<b>Receivables</b>		
Federal Government	12,664,802	12,157,537
Loans	1,559,162,337	1,224,978,669
Other	8,622,455	7,741,014
<b>Fixed Assets, Net</b>	705,204	621,926
<b>Other Assets</b>		
Due from Intergovernmental Agencies	2,360,913	9,682,682
Deferred Charges	7,505,201	8,082,806
<b>Total Assets</b>	<b>\$ 4,243,949,412</b>	<b>\$ 3,774,056,443</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 22,707,861	\$ 37,288,826
Due to federal government	8,440,743	4,724,031
Revenue bonds payable	2,165,970,801	1,545,135,000
<b>Total Liabilities</b>	2,197,119,405	1,587,147,857
<b>Fund Balances</b>		
Reserved for Loan Servicing	50,228,479	74,756,208
Restricted	1,996,601,528	2,112,152,378
<b>Total Fund Balances</b>	2,046,830,007	2,186,908,586
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,243,949,412</b>	<b>\$ 3,774,056,443</b>

**State of New Jersey**  
**Higher Education Student Assistance Authority**  
**Combined Statements of Revenues, Expenditures and Changes in Net Assets**

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Appropriations	\$ 299,025,105	\$ 284,064,676
Federal and other grants	87,383,608	101,105,149
Fees	136,807,849	129,534,856
Investment earnings	(311,095,402)	(162,446,208)
Other	<u>595,906,947</u>	<u>647,203,660</u>
<b>Total Revenues</b>	808,028,107	999,462,133
<b>Expenditures</b>		
Direct Grant Aid to Students	308,424,035	279,400,100
Program expenses	498,130,601	411,433,228
Administrative expenses	45,044,873	42,139,540
Debt service interest	<u>96,507,177</u>	<u>120,524,740</u>
<b>Total Expenditures</b>	948,106,686	853,497,608
<b>Excess of Revenues over Expenditures</b>	(140,078,579)	145,964,525
<b>Less:</b>		
<b>Year-end Lapsed Funds</b>		
<b>Net Assets - Beginning of Year</b>	<u>2,186,908,586</u>	<u>2,040,937,299</u>
<b>Prior Period Adjustments</b>	<u>-</u>	<u>6,762</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,046,830,007</u>	<u>\$ 2,186,908,586</u>