

HIGHER EDUCATION SERVICES CORPORATION

MISSION

The Higher Education Services Corporation (HESC) was established in 1974 to provide centralized processing of student financial aid programs. The Corporation administers the State's Tuition Assistance Program, the Federal Family Education Loan Program, the New York Higher Education Loan Program (NYHELPS) and other State and Federal aid programs.

ORGANIZATION AND STAFFING

The Corporation is governed by a 15-member Board of Trustees, 10 of whom are appointed by the Governor to six-year terms. The 10 gubernatorial appointees include two student representatives, a representative of the general public, a college financial aid administrator, a chief executive officer of a degree-granting proprietary institution, two presidents of independent institutions, one chief executive officer of a non-degree proprietary school and two banking representatives. The remaining five ex-officio members include the Commissioner of Education, the Chancellors of the State University of New York (SUNY) and the City University of New York (CUNY) and student government leaders representing the public university systems.

The Corporation's chief executive officer is the President, who is appointed by the Governor, subject to Senate confirmation. The President's responsibilities include administrative oversight of key program areas including legal counsel, data processing, operations, grants and scholarships, loans and research. Agency administrative operations are located in Albany.

BUDGET HIGHLIGHTS

The Executive Budget recommends **\$1.03 billion All Funds** (\$844 million General Fund; \$188 million Other Funds) in support of the Corporation. This is a net decrease of **\$93 million** (a \$83.7 million General Fund decrease and a \$9.3 million Other Funds decrease) from 2009-10 funding levels. The budget reflects funding to continue the NYHELPS student loan program and decreased spending for the Tuition Assistance Program (TAP).

The Executive Budget recommends a staffing level of **630 FTEs** for the Corporation, unchanged from 2009-10. Virtually all employees are paid through funds received for the administration of Federal student loans.

Major budget actions include:

- **Increase Academic Standards for Continued TAP Eligibility:** The 2010-11 Executive Budget would increase minimum academic standards for non-remedial students to maintain TAP eligibility. Such students will now be required to have earned at least 15 credits and a 1.8 Grade Point Average (GPA) after two semesters of study. Current standards would remain unchanged for remedial students. These measures are expected to produce savings of \$8.4 million in 2010-11.
- **Eliminate TAP for Graduate Study:** The 2010-11 Executive Budget eliminates TAP award eligibility for graduate students. This measure is expected to produce savings of \$3 million in 2010-11.

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- **Establish Default Parity:** Currently, students in default on loans guaranteed by the Corporation are ineligible to receive TAP payments, but students in default on loans guaranteed by organizations other than the Corporation retain TAP eligibility. The 2010-11 Executive Budget provides that all students in default on statutory New York State or Federal loans would be ineligible for TAP awards, regardless of guarantor. This measure is expected to produce savings of \$4.1 million in 2010-11.
- **Reduce Maximum TAP Award for Two-Year Degree Programs:** The 2010-11 Executive Budget reduces the maximum TAP award for students enrolled in a two-year degree granting program from \$5,000 to \$4,000. This measure is expected to produce savings of \$28.0 million in 2010-11.
- **Create New TAP Schedules for Certain Financially Independent Students:** The 2010-11 Executive Budget creates a new TAP schedule that increases the maximum award from \$3,025 to \$5,000 for orphans/wards of the court and other students under 22 years of age who meet certain criteria that establishes their financial independence. As such, they would receive an award similar to that of students who are declared dependents by their parents. This proposal also decreases the maximum award for independent students who are married without children from \$5,000 to \$3,025, which is consistent with the award provided to single adults with no children. This measure is expected to produce net savings of \$1.9 million in 2010-11.
- **Reduce TAP Awards by \$75:** The 2010-11 Executive Budget reduces all TAP awards by \$75. This measure is expected to produce savings of \$23.6 million in 2010-11.
- **Private Pension and Annuity Exclusion:** Currently, for individuals 59½ years of age and older, the first \$20,000 of private pension and annuity income is excluded for purposes of calculating TAP award eligibility levels for their dependent children. The 2010-11 Executive Budget eliminates this exclusion. This measure is expected to produce savings of \$2.0 million in 2010-11.
- **Eliminate Various Merit-Based Scholarship Awards:** The 2010-11 Executive Budget eliminates all new awards for the Scholarship for Academic Excellence and Math and Science Teacher Incentive Scholarship programs beginning in the 2010-11 academic year. This measure is expected to produce savings of \$5.25 million in 2010-11.
- **Provide TAP to Students Attending Certain Institutions Not Under the State Education Department's Direct Supervision:** Currently, there are some income-eligible students who attend non-profit institutions of higher education that cannot receive TAP because their schools, although authorized by the State Education Department (SED) to offer post-secondary education, are not under SED's direct supervision. The Executive Budget would effectively lift the statutory prohibition against providing TAP to otherwise income-eligible students at certain specialized faith-related institutions that primarily offer religious instruction or train members of the clergy. This measure is expected to cost \$18.3 million on an Academic Fiscal Year basis.

PROGRAM HIGHLIGHTS

STATE OPERATIONS

HESC has made it easier for students to secure college loans by allowing them to apply on-line for loans and electronically sign promissory notes. The Corporation will continue to improve its operational efficiency in 2010-11 through increased reliance on technology and streamlined administrative practices. Colleges and lenders are now able to conduct all loan transactions on-line using the Corporation's "New York State Marketplace," an internet portal that facilitates choice, competition and transparency for all government and private student loan products by providing students and their families with access to a broad spectrum of lending and guarantee information.

In addition to a renewed emphasis on providing comprehensive services to its clientele, the Corporation continues to develop partnerships with other student loan guaranty agencies and the Federal government to reduce costs, improve services and increase responsiveness through shared development efforts.

The Corporation will also continue to coordinate the State's participation in the Federal GEAR-UP program in 2010-11, providing early college preparation and guidance services to low-income individuals.

NEW YORK HIGHER EDUCATION LOAN PROGRAM

The 2010-11 Executive Budget continues the NYHELPS student loan program, which student loan program for New York State residents provides students and parents with access to low-cost loans that would otherwise not be available in the private loan market. The Program is a partnership between the State, private lenders and higher education institutions that makes available an estimated \$350 million annually in student loans with interest rates well below those of conventional private bank offerings. Eligible students must be New York State residents attending degree-granting postsecondary education institutions in the State that are approved to participate in Federal HEA Title IV student aid programs. The Corporation finances and administers the program in tandem with the State of New York Mortgage Agency (SONYMA). It is expected that SONYMA will issue \$350 million in tax-free bonds in 2010-11 to finance new fixed rate loans of up to \$10,000 per borrower. In addition to the allocation of Private Activity Bond Volume Cap to authorize the issuance of the SONYMA tax-exempt bonds, in 2010-11, the State will make available \$10 million to support a guarantee fund that will enable favorable borrower interest rates and fees. The debt-service on program bonds will be entirely self-supported by loan repayments and borrower fees, and the bonds issued by SONYMA will not be considered State-supported debt.

FEDERAL LOAN GUARANTEE PROGRAM

The traditional cornerstone of the Corporation's operations is the administration of the Federal Family Education Loan program (FFELP). Under this program, more than \$22.2 billion in outstanding FFELP loans are guaranteed by the Corporation. FFELP loans are made by banks to students, and should the banks prove unable to collect loan repayments from students following the completion of their studies, the Corporation intervenes to avert default. If these default aversion efforts are unsuccessful, the Corporation purchases the defaulted loans from banks and steps are taken to bring such

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defaulted loans into repayment. In addition, the Corporation provides customer services for lenders, schools and students. This includes the distribution of loan information, as well as training and technical assistance related to loan applications and processing.

Federal loan activities administered by the Corporation include:

- \$3.7 billion in new guaranteed loans in 2008-09;
- Processing of student loans for more than 711,000 borrowers; and
- Defaulted loan collections of \$369 million and defaulted loan purchases of \$492 million in 2008-09.

FINANCIAL AID PROGRAMS

The Corporation's responsibilities related to the administration of State financial aid programs include processing student applications, determining award amounts, processing and auditing aid payments to students and colleges, conducting reviews of participating institutions, collecting disallowed amounts identified in audits of participating institutions and providing information services to the public, students and schools for the following programs:

- Tuition Assistance Program: New York leads the nation in funding for needs-based student financial aid, and \$775 million in General Fund support will be provided to both full- and part-time (TAP) recipients in all sectors of higher education, with an additional \$78 million in Federal and other funding sources in support of tuition assistance;
- Aid for Part-Time Study: \$14.4 million will be available to more than 19,000 part-time students in all sectors of higher education; and
- Scholarships and Fellowships: \$44.1 million will be provided for various scholarships, fellowships, and loan forgiveness programs including the American Airlines Flight 587 Memorial Scholarships, the World Trade Center Memorial Scholarships, Senator Patricia K. McGee Nursing Faculty Scholarships/Nursing Faculty Loan Forgiveness Incentive Program and the Regents Licensed Social Worker Loan Forgiveness Program. More than 24,000 recipients are projected to receive aid under the sixteen State and Federal scholarship programs administered by the Corporation.

COLLEGE CHOICE TUITION SAVINGS PROGRAM

Enacted in 1997, the College Choice Tuition Savings Program represents a State initiative to encourage families throughout New York to save for the college education of their children or grandchildren. Under this program, families can save for their children's attendance at accredited public and private colleges in New York or in other states with accompanying tax benefits on contributions made to, and interest earned on, college savings accounts.

Jointly administered by the Corporation and the Office of the State Comptroller, the program has been well received by the general public. Since its inception in September 1998, over 626,000 accounts have been opened, with contributions totaling approximately \$8.2 billion. New York's program has received national recognition as one of the top college savings plans in the nation.

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ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2009-10	Appropriations Recommended 2010-11	Change	Reappropriations Recommended 2010-11
State Operations	165,391,000	120,047,000	(45,344,000)	41,163,000
Aid To Localities	959,245,000	911,566,000	(47,679,000)	64,764,000
Capital Projects	0	0	0	0
Total	<u>1,124,636,000</u>	<u>1,031,613,000</u>	<u>(93,023,000)</u>	<u>105,927,000</u>

ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS

Full-Time Equivalent Positions (FTE)

Program	2009-10 Estimated FTEs 03/31/10	2010-11 Estimated FTEs 03/31/11	FTE Change
Administration			
Special Revenue Funds - Other	292	292	0
Guaranteed Loan Programs			
Special Revenue Funds - Other	338	338	0
Total	<u>630</u>	<u>630</u>	<u>0</u>

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available 2009-10	Recommended 2010-11	Change
General Fund	50,000,000	10,000,000	(40,000,000)
Special Revenue Funds - Federal	10,000,000	10,000,000	0
Special Revenue Funds - Other	105,391,000	100,047,000	(5,344,000)
Total	<u>165,391,000</u>	<u>120,047,000</u>	<u>(45,344,000)</u>

Adjustments:

Transfer(s) From	
Higher Education Services Corporation,	
New York State	
Special Revenue Funds - Federal (Aid To Localities)	(5,000,000)
Appropriated 2009-10	<u>160,391,000</u>

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS (dollars)

Program	Available 2009-10	Recommended 2010-11	Change
Administration			
Special Revenue Funds - Other	50,569,000	48,998,000	(1,571,000)
Education Loan Program, New York State			
General Fund	50,000,000	10,000,000	(40,000,000)
Special Revenue Funds - Other	5,000,000	5,000,000	0
Guaranteed Loan Programs			
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	49,822,000	45,799,000	(4,023,000)
State Grant Programs			
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Third Party Debt Collection Account			
Special Revenue Funds - Other	0	250,000	250,000
Total	<u>165,391,000</u>	<u>120,047,000</u>	<u>(45,344,000)</u>

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**STATE OPERATIONS - GENERAL FUND
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED
APPROPRIATIONS AND CHANGES
2010-11 RECOMMENDED
(dollars)**

Program	Total		Maintenance Undistributed	
	Amount	Change	Amount	Change
Education Loan Program, New York State	10,000,000	(40,000,000)	10,000,000	(40,000,000)
Total	<u>10,000,000</u>	<u>(40,000,000)</u>	<u>10,000,000</u>	<u>(40,000,000)</u>

**STATE OPERATIONS - OTHER THAN GENERAL FUND
SUMMARY OF APPROPRIATIONS AND CHANGES
2010-11 RECOMMENDED
(dollars)**

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	48,998,000	(1,571,000)	15,843,000	341,000
Education Loan Program, New York State	5,000,000	0	0	0
Guaranteed Loan Programs	50,799,000	(4,023,000)	21,878,000	470,000
State Grant Programs	5,000,000	0	0	0
Third Party Debt Collection Account	250,000	250,000	0	0
Total	<u>110,047,000</u>	<u>(5,344,000)</u>	<u>37,721,000</u>	<u>811,000</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	33,155,000	(1,912,000)	0	0
Education Loan Program, New York State	0	0	5,000,000	0
Guaranteed Loan Programs	23,921,000	(4,493,000)	5,000,000	0
State Grant Programs	0	0	5,000,000	0
Third Party Debt Collection Account	0	0	250,000	250,000
Total	<u>57,076,000</u>	<u>(6,405,000)</u>	<u>15,250,000</u>	<u>250,000</u>

**AID TO LOCALITIES
ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE
APPROPRIATIONS
(dollars)**

Fund Type	Available 2009-10	Recommended 2010-11	Change
General Fund	877,281,000	833,566,000	(43,715,000)
Special Revenue Funds - Federal	59,764,000	55,800,000	(3,964,000)
Special Revenue Funds - Other	22,200,000	22,200,000	0
Total	<u>959,245,000</u>	<u>911,566,000</u>	<u>(47,679,000)</u>

Adjustments:

Recommended Deficiency Higher Education Services Corporation, New York State General Fund	(25,159,000)
Transfer(s) To Higher Education Services Corporation, New York State Special Revenue Funds - Federal (State Operations)	5,000,000
Appropriated 2009-10	<u>939,086,000</u>

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AID TO LOCALITIES
ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM
APPROPRIATIONS
(dollars)

<u>Program</u>	<u>Available 2009-10</u>	<u>Recommended 2010-11</u>	<u>Change</u>
Administration			
General Fund	8,600,000	0	(8,600,000)
Scholarships and Fellowships			
General Fund	44,063,000	44,061,000	(2,000)
State Grant Programs			
General Fund	824,618,000	789,505,000	(35,113,000)
Special Revenue Funds - Federal	59,764,000	55,800,000	(3,964,000)
Special Revenue Funds - Other	22,200,000	22,200,000	0
Total	<u>959,245,000</u>	<u>911,566,000</u>	<u>(47,679,000)</u>