

HIGHER EDUCATION SERVICES CORPORATION

MISSION

The Higher Education Services Corporation 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 and other State and federal aid programs.

ORGANIZATION AND STAFFING

The Corporation is governed by a 15-member Board of Trustees, ten of whom are appointed by the Governor to six-year terms. The ten gubernatorial appointees include two student representatives, a representative of the general public, a college financial aid administrator, a chief executive officer of a proprietary institution, two presidents of independent institutions, one chief executive officer of a 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 and the City University of New York 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.

The agency will have a workforce of 830 employees in 2000-01. Of this total, 688 positions (83 percent) are paid through funds received for the administration of federal student loans and 142 positions (17 percent) are paid from State funds for administration of State student financial aid programs. General administrative operations are located in Albany and Menands, while data processing operations are located in Troy.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

The Executive Budget recommends over \$713 million in support of agency operations and programs. Of this amount, \$92 million will be available to support administration of State and federal student aid programs and \$621 million will be awarded in financial aid to students or colleges to provide access to postsecondary opportunities and help maintain New York's leadership in higher education.

General Fund support of \$9.4 million is recommended for administration of State grants and scholarships. Over \$83 million of the operating budget represents federal loan-related functions, which are supported from non-General Fund sources and include funding for administration of the new federal GEAR UP program. Costs for shared data processing, personnel, finance and other administrative activities are allocated proportionately according to time expended for State or federal activities.

Of the \$621 million invested in financial aid and institutional grants, General Fund dollars account for nearly \$612 million. Support for the remaining expenditures is provided from federal funds and non-General Fund revenues.

STATE OPERATIONS

The Corporation will continue to improve its administrative operations in 2000-01 through investments in enhanced employee skills, modern technological infrastructure, and streamlined administrative practices. In addition to a renewed emphasis on providing comprehensive services to its clientele, the Corporation continues to develop partnerships with other student

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loan guaranty agencies to streamline costs, improve services, and increase responsiveness through shared development efforts.

FINANCIAL AID PROGRAMS

The 2000-01 recommendation for the Tuition Assistance Program (TAP) is \$575 million on an academic year basis. This level of funding maintains the current structure of the TAP program with no changes in award levels or eligibility criteria. The \$40 million year-to-year decrease in the TAP appropriation reflects a natural decline in program participation due to the State's strong economy, and related income growth that will reduce average award amounts.

New York's TAP program will facilitate access to higher education for approximately 250,000 students. Yet, access to higher education is not sufficient if students are not able to graduate on a timely basis and reap the economic benefits of a college degree. In the coming year, our higher education community, both public and private, will be called upon for their guidance in developing strengthened academic standards and changes that enable and encourage students to complete their degrees in a timely manner.

In 2000-01, CUNY will implement a new financial aid pilot program which will enable students with a demonstrated record of achievement to attend a CUNY college on a part-time basis and be eligible for financial assistance under TAP. This program should help increase the number of students who successfully obtain their college degrees by recognizing the need of certain students to adjust their courseloads to accommodate work and family responsibilities.

A total of \$14 million, an increase of \$3.5 million, will support the full implementation of the Scholarships for Academic Excellence program. Under this program, 2,000 of New York's top scholars will be eligible for annual awards of \$1,500 and 6,000 academically distinguished high school students will be eligible for annual awards of \$500 for four years of undergraduate study. By recognizing high school achievement, this program encourages our most academically talented students to pursue their postsecondary education in New York State.

PROGRAM HIGHLIGHTS

STATE OPERATIONS

The Corporation continues to streamline and improve its computer systems for the payment and tracking of student financial aid funds. The Corporation's goal is to provide payments more quickly to students, parents and colleges and to improve the accuracy of State financial aid data.

In 2000-01, the Corporation will administer the State's project under the new \$120 million Federal GEAR-UP program. In 1999, the Corporation was awarded a five-year Federal GEAR-UP grant to provide early college preparation and guidance services to low income communities. New York GEAR UP will serve participating students, as early as seventh grade, with mentoring, counseling, outreach, and support services designed to help them aspire to and prepare for higher education. The Corporation's GEAR UP staff will coordinate statewide activities for the 11 local GEAR UP partners — in the metropolitan New York City area, the Capital Region, the Southern Tier and Buffalo — which received competitive grants under the GEAR UP Partnership project.

FEDERAL LOAN GUARANTEE PROGRAM

The largest part of agency operations is the administration of the Federal Family Education Loan program. Under this program, the Corporation guarantees over \$9 billion in outstanding loans made by banks to students. When banks are unable to collect loan repayments, the agency intervenes to avert default. If unsuccessful, loans are purchased from banks and measures are taken to bring such defaulted loans into repayment. The Corporation also provides customer services for lenders, schools and students, which include 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:

- \$1.5 billion in new guaranteed loans estimated for 1999-2000;
- Loans guaranteed for approximately 350,000 individual borrowers; and
- Projected defaulted loan collections of over \$143 million and \$174 million in defaulted loan purchases for 1999-2000.

FINANCIAL AID PROGRAMS

The Corporation's State-funded responsibilities include processing student applications for State student financial aid programs, 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: \$575 million in aid will be provided to students in the public and private sectors.
- Aid for Part Time Study: \$14.6 million will be available to nearly 23,000 part-time students in all sectors of higher education.
- Scholarships and Fellowships: 5,200 recipients are projected to receive aid for special employment preparation or targeted needs under fifteen State and Federal programs; 29,000 Scholarships for Academic Excellence will be available in 2000-01 to students pursuing their college education in New York State.

COLLEGE CHOICE TUITION SAVINGS PROGRAM

Signed into law in 1997, the College Choice Tuition Savings Program presents a major commitment by the State 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 education at accredited public and private colleges in New York or anywhere in the country by providing 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, close to 70,000 accounts have been opened, with contributions exceeding \$280 million. New York's program has already received national recognition as one of the top college savings plans in the nation and, in the coming year, consideration will be given to further improvements in the program to encourage even greater participation.

Recently, Governor Pataki announced that the minimum amount required to open an account has been reduced from \$250 to \$25.

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ALL FUNDS APPROPRIATIONS

Category	Available 1999-00	Appropriations Recommended 2000-01	Change	Reappropriations Recommended 2000-01
State Operations	\$87,797,000	\$92,458,000	+\$4,661,000	\$750,000
Aid To Localities	657,548,000	620,948,000	-36,600,000	.....
Capital Projects .....	.....	.....	.....	.....
Total	\$745,345,000	\$713,406,000	-\$31,939,000	\$750,000

ALL FUND TYPES LEVELS OF EMPLOYMENT BY PROGRAM ANNUAL SALARIED POSITIONS

Program	Available 1999-00	2000-01 Recommended Average Fill Level			Change
		Personal Service (Regular)	Maintenance Undistributed	Total Recommended 2000-01	
Administration					
General Fund	50	42	.....	42	-8
Special Revenue Funds - Other	241	219	.....	219	-22
Guaranteed Loan Programs					
Special Revenue Funds - Other	469	469	.....	469	.....
Grants and Scholarships					
General Fund	105	100	.....	100	-5
Total	865	830	.....	830	-35

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS

Fund Type	Available 1999-00	Recommended 2000-01	Change
General Fund	\$10,660,000	\$9,425,000	-\$1,235,000
Special Revenue Funds - Federal .....	.....	3,930,000	+3,930,000
Special Revenue Funds - Other	77,137,000	79,103,000	+1,966,000
Total	\$87,797,000	\$92,458,000	+\$4,661,000

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS

Program	Available 1999-00	Recommended 2000-01	Change
Administration			
General Fund	\$5,248,000	\$4,769,000	-\$479,000
Special Revenue Funds - Other	30,637,000	31,703,000	+1,066,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal .....	.....	3,930,000	+3,930,000
Special Revenue Funds - Other	46,500,000	47,400,000	+900,000
Grants and Scholarships			
General Fund	5,412,000	4,656,000	-756,000
Total	\$87,797,000	\$92,458,000	+\$4,661,000

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STATE OPERATIONS — GENERAL AND OFFSET FUNDS SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES 2000-01 RECOMMENDED

Program	Total Personal Service		Personal Service Regular (Annual Salaried)		Temporary Service (Nonannual Salaried)	
	Amount	Change	Amount	Change	Amount	Change
Administration	\$2,122,000	-\$578,000	\$2,099,000	-\$571,000	.....	.....
Grants and Scholarships	3,345,000	-184,000	3,311,000	-183,000	\$34,000	-\$1,000
Total	\$5,467,000	-\$762,000	\$5,410,000	-\$754,000	\$34,000	-\$1,000

Program	Holiday/Overtime Pay (Annual Salaried)	
	Amount	Change
Administration	\$23,000	-\$7,000
Total	\$23,000	-\$7,000

STATE OPERATIONS — GENERAL FUND SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES 2000-01 RECOMMENDED

Program	Total		Supplies and Materials	
	Amount	Change	Amount	Change
Administration	\$2,647,000	+\$99,000	\$170,000	+\$6,000
Grants and Scholarships	1,311,000	-572,000	42,000	-19,000
Total	\$3,958,000	-\$473,000	\$212,000	-\$13,000

Program	Travel		Contractual Services	
	Amount	Change	Amount	Change
Administration	\$5,000	.....	\$2,438,000	+\$92,000
Grants and Scholarships	5,000	-\$3,000	1,249,000	-\$45,000
Total	\$10,000	-\$3,000	\$3,687,000	-\$453,000

Program	Equipment	
	Amount	Change
Administration	\$34,000	+\$1,000
Grants and Scholarships	15,000	-5,000
Total	\$49,000	-\$4,000

STATE OPERATIONS — OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2000-01 RECOMMENDED

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	\$31,703,000	+\$1,066,000	\$8,772,000	-\$721,800
Guaranteed Loan Programs	51,330,000	+4,830,000	16,600,000	+100,000
Total	\$83,033,000	+\$5,896,000	\$25,372,000	-\$621,800

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	\$22,431,000	+\$1,787,800	\$500,000	.....
Guaranteed Loan Programs	30,800,000	+800,000	3,930,000	+\$3,930,000
Total	\$53,231,000	+\$2,587,800	\$4,430,000	+\$3,930,000

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AID TO LOCALITIES ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS

<u>Fund Type</u>	<u>Available 1999-00</u>	<u>Recommended 2000-01</u>	<u>Change</u>
General Fund	\$648,148,000	\$611,548,000	-\$36,600,000
Special Revenue Funds - Federal	2,400,000	2,400,000	.....
Special Revenue Funds - Other	7,000,000	7,000,000	.....
Total	<u>\$657,548,000</u>	<u>\$620,948,000</u>	<u>-\$36,600,000</u>

AID TO LOCALITIES ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS

<u>Program</u>	<u>Available 1999-00</u>	<u>Recommended 2000-01</u>	<u>Change</u>
Scholarships and Fellowships			
General Fund	\$18,418,000	\$21,918,000	+\$3,500,000
Special Revenue Funds - Other	7,000,000	7,000,000	.....
State Grant Programs			
General Fund	615,100,000	575,000,000	-40,100,000
Special Revenue Funds - Federal	2,400,000	2,400,000	.....
Tuition Awards for Part-Time Students			
General Fund	14,630,000	14,630,000	.....
Total	<u>\$657,548,000</u>	<u>\$620,948,000</u>	<u>-\$36,600,000</u>