

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 2001-02. 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 \$780 million in support of agency operations and programs. Of this amount, over \$98 million will be available to support administration of State and federal student aid programs and \$682 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 \$9.6 million is recommended for administration of State grants and scholarships. Over \$88 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 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 \$682 million invested in financial aid and institutional grants, General Fund dollars account for nearly \$673 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 2001-02 through investments in enhanced employee skills, modern technological infrastructure, and streamlined administrative practices. In addition to a renewed emphasis on providing

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comprehensive services to its clientele, the Corporation continues to develop partnerships with other student loan guaranty agencies to streamline costs, improve services, and increase responsiveness through shared development efforts.

FINANCIAL AID PROGRAMS

The 2001-02 recommended appropriation for the Tuition Assistance Program (TAP) is continued at \$636 million. This level of funding reflects continuation of enhancements made to the TAP program in 2000-01, offset by reduced program expenditures attributable to a natural decline in program participation due to the strong State economy. As a result of increases in family incomes and favorable employment opportunities, the number of TAP recipients is expected to decline in the coming year.

Significant TAP enhancements were enacted in 2000-01, many of which are scheduled for implementation in 2001-02. These include:

- providing the higher TAP maximum award level of \$5,000 to another group of first-time TAP recipients;
- eliminating the tuition cap applied to public university students; and
- lessening the award reduction for upper division recipients.

A total of \$14 million will support 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

In the coming year, the Corporation will launch several e-commerce/e-government initiatives to streamline administrative operations and to provide enhanced services to students, parents and colleges. These initiatives will simplify the application process by enabling students to apply for financial aid and loans through the Internet. Additionally, student award eligibility confirmations from colleges and award payments made to colleges on behalf of students will be accelerated through the use of enhanced computer technology.

In 2001-02, the Corporation will continue to coordinate the State's participation in the 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. Recently, ten school and community groups were awarded over \$10 million under New York GEAR UP to provide participating middle and high school students with mentoring, counseling, outreach, and support services designed to encourage them to prepare for higher education. The Corporation's GEAR UP staff coordinates 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 the Corporation's operational responsibility is the administration of the Federal Family Education Loan program. Under this program, the Corporation guarantees over \$12.3 billion in outstanding loans made by banks to students. When banks are unable to collect student loan repayments, the Corporation intervenes to avert

default. If these default aversion efforts are unsuccessful, defaulted loans are purchased from banks and steps 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:

- \$3.0 billion in new guaranteed loans estimated for 2000-01;
- Processing of student loans for more than 454,000 individual borrowers; and
- Projected defaulted loan collections of \$199 million and defaulted loan purchases of \$187 million in 2000-01.

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: \$636 million in aid will be provided to recipients 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: nearly 5,200 recipients are projected to receive aid for special employment preparation or targeted needs under fourteen State and Federal programs; 32,000 Scholarships for Academic Excellence will be available in 2001-02 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 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 101,000 accounts have been opened, with contributions exceeding \$521 million. New York's program has already received national recognition as one of the top college savings plans in the nation.

Recent improvements to encourage even greater participation in the College Choice program include: investment options for new participants; reduced paperwork for married couples who previously were required to open separate savings account to take full advantage of the tax benefits; and elimination of the penalty for early withdrawals upon the death or disability of the beneficiary.

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ALL FUNDS APPROPRIATIONS (dollars)

<u>Category</u>	<u>Available 2000-01</u>	<u>Appropriations Recommended 2001-02</u>	<u>Change</u>	<u>Reappropriations Recommended 2001-02</u>
State Operations	96,337,000	98,262,000	1,925,000	3,500,000
Aid To Localities	682,348,000	682,348,000	0	0
Capital Projects	0	0	0	0
Total	<u>778,685,000</u>	<u>780,610,000</u>	<u>1,925,000</u>	<u>3,500,000</u>

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

Full-Time Equivalent Positions (FTE)

<u>Program</u>	<u>2000-01 Estimated FTEs 03/31/01</u>	<u>2001-02 Estimated FTEs 03/31/02</u>	<u>FTE Change</u>
Administration			
General Fund	47	47	0
Special Revenue Funds - Other	246	246	0
Guaranteed Loan Programs			
Special Revenue Funds - Other	442	442	0
Grants and Scholarships			
General Fund	95	95	0
Total	<u>830</u>	<u>830</u>	<u>0</u>

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

<u>Fund Type</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
General Fund	10,007,000	9,593,000	(414,000)
Special Revenue Funds - Federal	3,930,000	5,000,000	1,070,000
Special Revenue Funds - Other	82,400,000	83,669,000	1,269,000
Total	<u>96,337,000</u>	<u>98,262,000</u>	<u>1,925,000</u>

Adjustments:

Transfer(s) From	
Special Pay Bill	
General Fund	(582,000)
Special Revenue Funds - Other	(3,297,000)
Appropriated 2000-01	<u>92,458,000</u>

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

<u>Program</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
Administration			
General Fund	5,351,000	5,006,000	(345,000)
Special Revenue Funds - Other	31,703,000	34,422,000	2,719,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal	3,930,000	5,000,000	1,070,000
Special Revenue Funds - Other	50,697,000	49,247,000	(1,450,000)
Grants and Scholarships			
General Fund	4,656,000	4,587,000	(69,000)
Total	<u>96,337,000</u>	<u>98,262,000</u>	<u>1,925,000</u>

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**STATE OPERATIONS - GENERAL FUND
SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES
2001-02 RECOMMENDED
(dollars)**

<u>Program</u>	<u>Total Personal Service</u>		<u>Personal Service Regular (Annual Salaried)</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	2,383,000	(321,000)	2,353,000	(328,000)
Grants and Scholarships	3,716,000	371,000	3,681,000	370,000
Total	<u>6,099,000</u>	<u>50,000</u>	<u>6,034,000</u>	<u>42,000</u>

<u>Program</u>	<u>Temporary Service (Nonannual Salaried)</u>		<u>Holiday/Overtime Pay (Annual Salaried)</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	0	0	30,000	7,000
Grants and Scholarships	35,000	1,000	0	0
Total	<u>35,000</u>	<u>1,000</u>	<u>30,000</u>	<u>7,000</u>

**STATE OPERATIONS - GENERAL FUND
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED
APPROPRIATIONS AND CHANGES
2001-02 RECOMMENDED
(dollars)**

<u>Program</u>	<u>Total Nonpersonal Service</u>		<u>Supplies and Materials</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	2,623,000	(24,000)	162,000	(8,000)
Grants and Scholarships	871,000	(440,000)	25,000	(17,000)
Total	<u>3,494,000</u>	<u>(464,000)</u>	<u>187,000</u>	<u>(25,000)</u>

<u>Program</u>	<u>Travel</u>		<u>Contractual Services</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	40,000	35,000	2,388,000	(50,000)
Grants and Scholarships	18,000	13,000	803,000	(446,000)
Total	<u>58,000</u>	<u>48,000</u>	<u>3,191,000</u>	<u>(496,000)</u>

<u>Program</u>	<u>Equipment</u>	
	<u>Amount</u>	<u>Change</u>
Administration	33,000	(1,000)
Grants and Scholarships	25,000	10,000
Total	<u>58,000</u>	<u>9,000</u>

**STATE OPERATIONS - OTHER THAN GENERAL FUND
SUMMARY OF APPROPRIATIONS AND CHANGES
2001-02 RECOMMENDED
(dollars)**

<u>Program</u>	<u>Total</u>		<u>Personal Service</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	34,422,000	2,719,000	9,748,000	976,000
Guaranteed Loan Programs	54,247,000	(380,000)	18,447,000	(1,450,000)
Total	<u>88,669,000</u>	<u>2,339,000</u>	<u>28,195,000</u>	<u>(474,000)</u>

<u>Program</u>	<u>Nonpersonal Service</u>		<u>Maintenance Undistributed</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	24,174,000	1,743,000	500,000	0
Guaranteed Loan Programs	30,800,000	0	5,000,000	1,070,000
Total	<u>54,974,000</u>	<u>1,743,000</u>	<u>5,500,000</u>	<u>1,070,000</u>

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

<u>Fund Type</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
General Fund	672,948,000	672,948,000	0
Special Revenue Funds - Federal	2,400,000	2,400,000	0
Special Revenue Funds - Other	7,000,000	7,000,000	0
Total	<u>682,348,000</u>	<u>682,348,000</u>	<u>0</u>

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

<u>Program</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
Scholarships and Fellowships			
General Fund	21,918,000	21,918,000	0
Special Revenue Funds - Other	7,000,000	7,000,000	0
State Grant Programs			
General Fund	636,400,000	636,400,000	0
Special Revenue Funds - Federal	2,400,000	2,400,000	0
Tuition Awards for Part-Time Students			
General Fund	14,630,000	14,630,000	0
Total	<u>682,348,000</u>	<u>682,348,000</u>	<u>0</u>