

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, 10 of whom are appointed by the Governor to 6-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 760 employees in 2003-04. Virtually all employees are paid through funds received for the administration of Federal student loans. 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 \$721 million in support of agency operations and programs. Of this amount, approximately \$101 million will be available to support administration of State and Federal student aid programs and \$620 million will be awarded in financial aid to students or colleges to promote access to postsecondary educational opportunities.

Of the \$620 million invested in financial aid and institutional grants, General Fund support accounts for \$614 million. Support for the remaining expenditures is provided from Federal funds.

STATE OPERATIONS

The Corporation will continue to improve its operational efficiency in 2003-04 through increased reliance on technology 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 loan guaranty agencies and the Federal government to streamline costs, improve services, and increase responsiveness through shared development efforts.

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FINANCIAL AID PROGRAMS

The 2003-04 recommended appropriation for the Tuition Assistance Program (TAP) is \$567.5 million. This level of funding continues enhancements made to the TAP program in 2000-01, but reflects a restructuring of the program to emphasize degree completion by creating a financial incentive for students to stay in college and graduate.

TAP enhancements enacted in 2000-01 provide the higher TAP maximum award level of \$5,000 to another class of first-time TAP recipients in 2003-04. Restructuring TAP will result in a \$161 million reduction in TAP expenditures for 2003-04, accompanied by an increase of \$11.5 million to support the cost of the new TAP loan program. Major components of the restructured TAP program are as follows:

- TAP awards will be provided in two components — a “base” award equivalent to two-thirds of the current TAP award and a “performance” award equivalent to the remaining one-third of the award;
- Students will be expected to finance the performance award through federally guaranteed loans including Federal subsidized, unsubsidized and parent PLUS loans. Students who have exhausted their Federal loan eligibility will be eligible to receive their performance awards as TAP loans provided by HESC; and
- Upon completion of their degree programs, students will receive a performance award payment from HESC equal to the amount of their deferred TAP awards plus accrued interest (if any) from any Federal or TAP loans they may have used in financing their performance award.

The 2003-04 Executive Budget provides \$21.1 million for various scholarship and fellowship programs, reflecting a reduction of \$2.8 million from 2002-03. A total of \$4 million will support the continued phased implementation of the Volunteer Recruitment Service Scholarships, enacted in 2002-03. The Scholarships for Academic Excellence, the Regents Health Care Opportunity Scholarships and the Regents Professional Opportunity Scholarships will be suspended in 2003-04 with no new awards being granted. However, payments will continue to be provided for existing scholarship recipients.

PROGRAM HIGHLIGHTS

STATE OPERATIONS

The Corporation is continuing to move more of its services to the Internet, enhancing the public's ability to get information and strengthening services to schools, lenders, students and families. 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. Schools and lenders are now able to conduct all loan transactions on HESC's Web site. In addition, the Corporation has recently reached an agreement with the Federal Department of Education to allow New York State residents to apply for Federal and State financial aid simultaneously through one on-line application.

In 2003-04, 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 individuals.

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 \$13.3 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

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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:

- \$3.3 billion in new guaranteed loans in 2001-02;
- Processing of student loans for nearly 496,000 individual borrowers; and
- Defaulted loan collections of \$282 million and defaulted loan purchases of \$221 million in 2001-02.

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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: \$567.5 million in aid will be provided to recipients in the public and private sectors. Of this amount, \$225.0 million will be offset using funds from the Federal Temporary Assistance for Needy Families (TANF) program;
- Tuition Assistance Loan Program: \$11.5 million will be made available for those students who have exhausted their Federal loan eligibility and can demonstrate that additional assistance is needed to initially finance their TAP performance award;
- Aid for Part Time Study: \$14.6 million will be available to over 20,000 part-time students in all sectors of higher education; and
- Scholarships and Fellowships: \$21.1 million will be provided for current recipients of various scholarships and fellowships. Scholarships will be suspended for new students in 2003-04 for the Scholarships of Academic Excellence, the Regents Health Care Opportunity Scholarships and the Regents Professional Opportunity Scholarships. Nearly 18,800 current recipients are projected to continue receiving aid under the ten State and Federal scholarship programs administered by HESC.

COLLEGE CHOICE TUITION SAVINGS PROGRAM

Signed into law 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 260,400 accounts have been opened, with contributions exceeding \$1.2 billion. New York's program has already received national recognition as one of the top college savings plans in the nation.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2002-03	Appropriations Recommended 2003-04	Change	Reappropriations Recommended 2003-04
State Operations	119,300,000	101,479,000	(17,821,000)	1,000,000
Aid To Localities	779,364,000	619,914,000	(159,450,000)	0
Capital Projects	0	0	0	0
Total	<u>898,664,000</u>	<u>721,393,000</u>	<u>(177,271,000)</u>	<u>1,000,000</u>

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

Program	Full-Time Equivalent Positions (FTE)		
	2002-03 Estimated FTEs 03/31/03	2003-04 Estimated FTEs 03/31/04	FTE Change
Administration			
Special Revenue Funds - Other	353	346	(7)
Guaranteed Loan Programs			
Special Revenue Funds - Other	422	414	(8)
Total	<u>775</u>	<u>760</u>	<u>(15)</u>

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

Fund Type	Available 2002-03	Recommended 2003-04	Change
Special Revenue Funds - Federal	5,532,000	6,340,000	808,000
Special Revenue Funds - Other	113,768,000	95,139,000	(18,629,000)
Total	<u>119,300,000</u>	<u>101,479,000</u>	<u>(17,821,000)</u>

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

Program	Available 2002-03	Recommended 2003-04	Change
Administration			
Special Revenue Funds - Other	63,762,000	45,133,000	(18,629,000)
Guaranteed Loan Programs			
Special Revenue Funds - Federal	5,532,000	6,340,000	808,000
Special Revenue Funds - Other	50,006,000	50,006,000	0
Total	<u>119,300,000</u>	<u>101,479,000</u>	<u>(17,821,000)</u>

STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2003-04 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	45,133,000	(18,629,000)	14,080,000	(2,719,000)
Guaranteed Loan Programs	56,346,000	808,000	19,206,000	0
Total	<u>101,479,000</u>	<u>(17,821,000)</u>	<u>33,286,000</u>	<u>(2,719,000)</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	30,553,000	(5,910,000)	500,000	(10,000,000)
Guaranteed Loan Programs	30,800,000	0	6,340,000	808,000
Total	<u>61,353,000</u>	<u>(5,910,000)</u>	<u>6,840,000</u>	<u>(9,192,000)</u>

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

Fund Type	Available 2002-03	Recommended 2003-04	Change
General Fund	765,148,000	610,698,000	(154,450,000)
Special Revenue Funds - Federal	5,216,000	5,216,000	0
Special Revenue Funds - Other	9,000,000	4,000,000	(5,000,000)
Total	<u>779,364,000</u>	<u>619,914,000</u>	<u>(159,450,000)</u>

Adjustments:

Recommended Deficiency

Higher Education Services Corporation,
New York State
General Fund

(35,200,000)

Appropriated 2002-03

744,164,000

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

Program	Available 2002-03	Recommended 2003-04	Change
Scholarships and Fellowships			
General Fund	21,918,000	17,068,000	(4,850,000)
Special Revenue Funds - Other	9,000,000	4,000,000	(5,000,000)
State Grant Programs			
General Fund	728,600,000	579,000,000	(149,600,000)
Special Revenue Funds - Federal	5,216,000	5,216,000	0
Tuition Awards for Part-Time Students			
General Fund	14,630,000	14,630,000	0
Total	<u>779,364,000</u>	<u>619,914,000</u>	<u>(159,450,000)</u>