

# **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 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 735 employees in 2004-05. 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 \$766 million in support of agency operations and programs. Of this amount, approximately \$106 million will be available to support administration of State and Federal student aid programs and \$660 million will be awarded in financial aid to students or colleges to promote access to postsecondary educational opportunities.

Of the \$660 million invested in financial aid and institutional grants, General Fund support accounts for \$655 million. Support for the remaining expenditures is provided from Federal funds.

## **STATE OPERATIONS**

The Corporation will continue to improve its operational efficiency in 2004-05 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.

## ***HIGHER EDUCATION SERVICES***

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### ***FINANCIAL AID PROGRAMS***

The 2004-05 recommended appropriation for the Tuition Assistance Program (TAP) is \$604.2 million. This level of funding continues enhancements made to the TAP program in 2000-01, and 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 2004-05. The proposed restructuring of TAP will generate \$259.2 million in TAP savings, offset by an increase of \$11.5 million for a 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 2004-05 Executive Budget provides \$20.8 million for various scholarship and fellowship programs, reflecting a reduction of \$1.2 million from 2003-04. Under existing statute, the awarding of new scholarships under the Regents Health Care Opportunity Scholarships, Regents Professional Opportunity Scholarships and Regents Physician Loan Forgiveness Program will sunset in 2004-05 producing savings of \$2.9 million. Scholarship payments will continue to be provided for existing recipients under these three programs. Funding of \$1.7 million is provided for Military Enhanced Recognition, Incentive and Tribute (MERIT) Scholarships which were enacted in 2003 as part of the Patriot Act. A total of \$4 million will support Volunteer Recruitment Service Scholarships which were enacted in 2002.

### ***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 2004-05, 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.

The Corporation will also continue working with New York’s two public university systems, SUNY and CUNY, to encourage the campuses to use HESC as the Federal guarantor for loans provided to their students.

### **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 \$16.1 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:

- \$5.4 billion in new guaranteed loans in 2002-03;
- Processing of student loans for over 609,000 individual borrowers; and
- Defaulted loan collections of \$271 million and defaulted loan purchases of \$255 million in 2002-03.

### **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: \$604.2 million in aid will be provided to recipients in all sectors of higher education;
- Tuition Assistance Loan Program: \$11.5 million will be made available for those students who have exhausted their Federal loan eligibility and need additional assistance to finance their TAP performance award prior to graduation;
- Aid for Part Time Study: \$14.6 million will be available to over 22,000 part-time students in all sectors of higher education; and
- Scholarships and Fellowships: \$20.8 million will be provided for various scholarships and fellowships. Under existing statute, the awarding of new scholarships will sunset in 2004-05 for the Regents Health Care Opportunity Scholarships, the Regents Professional Opportunity Scholarships and the Regents Loan Forgiveness Program. Scholarship payments will be continued for existing recipients under these three programs. Funding is provided for the new Military Enhanced Recognition, Incentive and Tribute (MERIT) Scholarships. Nearly 20,700 recipients are projected to receive aid under the eleven 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 253,000 accounts have been opened, with contributions exceeding \$2.0 billion. New York's program has already received national recognition as one of the top college savings plans in the nation.

# HIGHER EDUCATION SERVICES

## ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2003-04	Appropriations Recommended 2004-05	Change	Reappropriations Recommended 2004-05
State Operations	101,479,000	105,697,000	4,218,000	5,023,000
Aid To Localities	909,234,000	660,347,000	(248,887,000)	0
Capital Projects	0	0	0	0
Total	1,010,713,000	766,044,000	(244,669,000)	5,023,000

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

### Full-Time Equivalent Positions (FTE)

Program	2003-04 Estimated FTEs 03/31/04	2004-05 Estimated FTEs 03/31/05	FTE Change
Administration			
Special Revenue Funds - Other	336	336	0
Guaranteed Loan Programs			
Special Revenue Funds - Other	399	399	0
Total	735	735	0

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

Fund Type	Available 2003-04	Recommended 2004-05	Change
Special Revenue Funds - Federal	6,340,000	7,203,000	863,000
Special Revenue Funds - Other	95,139,000	98,494,000	3,355,000
Total	101,479,000	105,697,000	4,218,000

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

Program	Available 2003-04	Recommended 2004-05	Change
Administration			
Special Revenue Funds - Other	45,133,000	47,389,000	2,256,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal	6,340,000	7,203,000	863,000
Special Revenue Funds - Other	50,006,000	51,105,000	1,099,000
Total	101,479,000	105,697,000	4,218,000

## STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2004-05 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	47,389,000	2,256,000	14,186,000	106,000
Guaranteed Loan Programs	58,308,000	1,962,000	19,350,000	144,000
Total	105,697,000	4,218,000	33,536,000	250,000

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	32,703,000	2,150,000	500,000	0
Guaranteed Loan Programs	31,755,000	955,000	7,203,000	863,000
Total	64,458,000	3,105,000	7,703,000	863,000

# HIGHER EDUCATION SERVICES

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

Fund Type	Available 2003-04	Recommended 2004-05	Change
General Fund	900,018,000	651,131,000	(248,887,000)
Special Revenue Funds - Federal	5,216,000	5,216,000	0
Special Revenue Funds - Other	4,000,000	4,000,000	0
Total	<u>909,234,000</u>	<u>660,347,000</u>	<u>(248,887,000)</u>

Adjustments:

Prior Year Deficiency			
Higher Education Services Corporation, New York State General Fund	35,200,000		
Recommended Deficiency			
Higher Education Services Corporation, New York State General Fund	(33,900,000)		
Appropriated 2003-04	<u>910,534,000</u>		

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

Program	Available 2003-04	Recommended 2004-05	Change
Scholarships and Fellowships			
General Fund	21,918,000	20,768,000	(1,150,000)
Special Revenue Funds - Other	4,000,000	4,000,000	0
State Grant Programs			
General Fund	863,470,000	615,733,000	(247,737,000)
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>909,234,000</u>	<u>660,347,000</u>	<u>(248,887,000)</u>