

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 725 employees in 2005-06. Virtually all employees are paid through funds received for the administration of Federal student loans. General administrative operations are located in Albany, while data processing operations are located in Troy.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

The Executive Budget recommends over \$907 million in support of agency operations and programs. Of this amount, approximately \$108 million will be available to support administration of State and Federal student aid programs and \$799 million will be awarded in financial aid to students or colleges to promote access to postsecondary educational opportunities.

Of the \$799 million invested in financial aid and institutional grants, General Fund support accounts for nearly \$778 million. Support for the remaining expenditures is provided from Federal funds.

STATE OPERATIONS

The Corporation will continue to improve its operational efficiency in 2005-06 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 2005-06 recommended appropriation for the Tuition Assistance Program (TAP) is \$738.5 million. This level of funding reflects a series of reforms that would strengthen academic standards and eligibility criteria, and restructure the program to emphasize degree completion by creating a financial incentive for students to stay in college and graduate.

The proposed restructuring of TAP will generate \$167.1 million in TAP savings, offset by an increase of \$6 million for a new TAP loan program. Major components of the restructured TAP program are as follows:

- TAP awards for first-time TAP recipients in 2005-06 and thereafter will be provided in two components — a “base” award equivalent to one-half of the current TAP award and a “performance” award equivalent to the remaining one-half 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.

Other proposed TAP reforms produce savings of \$26 million by:

- Requiring students to be in full-time attendance at the time that institutions certify them as eligible for TAP awards (\$6 million);
- Conforming TAP eligibility for all students in default on federal student loans regardless of the loan guarantor (\$5 million); and
- Enhancing academic progress and good academic standing criteria required for continued TAP eligibility (\$15 million).

Additional TAP savings of \$4.4 million result from an increase in the Federal Special Leveraging Educational Assistance Partnership program.

The 2005-06 Executive Budget provides \$29.1 million for various scholarship and fellowship programs, reflecting an increase of \$5.4 million from 2004-05. Of the \$5.4 million, \$5 million reflects funding for the World Trade Center Memorial Scholarships that were formerly funded from a statewide appropriation for State costs related to the World Trade Center attacks. The remaining \$0.4 million reflects funding for a new memorial scholarship program for the spouses, children and financial dependents of the victims of American Airlines Flight 587 that crashed in Rockaway, Queens on November 12, 2001.

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 reached an agreement with the Federal Department of Education to allow New York State residents to apply for Federal and State financial aid through the Internet.

In 2005-06, the Corporation will continue to coordinate the State’s participation in the Federal GEAR-UP program. In 1999, the Corporation was awarded a six-year Federal GEAR-UP grant to provide early college preparation and guidance services to low-income individuals. In 2005-06, HESC will coordinate the State’s application for a new six-year GEAR-UP grant.

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 \$17.6 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:

- \$5.0 billion in new guaranteed loans in 2003-04;
- Processing of student loans for over 621,800 borrowers; and
- Defaulted loan collections of \$287 million and defaulted loan purchases of \$269 million in 2003-04.

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: \$738.5 million in aid will be provided to recipients in all sectors of higher education;
- Tuition Assistance Loan Program: \$6 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 nearly 22,000 part-time students in all sectors of higher education; and
- Scholarships and Fellowships: \$29.1 million will be provided for various scholarships and fellowships, including \$0.4 million for a new memorial scholarship for spouses, children and financial dependents of the victims of the American Airlines Flight 587 air disaster. Over 25,000 recipients are projected to receive aid under the twelve State and Federal scholarship programs administered by HESC.

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 318,000 accounts have been opened, with contributions exceeding \$2.8 billion. New York's program has already received national recognition as one of the top college savings plans in the nation.

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ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2004-05	Appropriations Recommended 2005-06	Change	Reappropriations Recommended 2005-06
State Operations	107,821,000	108,307,000	486,000	5,254,000
Aid To Localities	954,121,000	799,245,000	(154,876,000)	5,216,000
Capital Projects	0	0	0	0
Total	1,061,942,000	907,552,000	(154,390,000)	10,470,000

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

Full-Time Equivalent Positions (FTE)

Program	2004-05 Estimated FTEs 03/31/05	2005-06 Estimated FTEs 03/31/06	FTE Change
Administration			
Special Revenue Funds - Other	332	332	0
Guaranteed Loan Programs			
Special Revenue Funds - Other	393	393	0
Total	725	725	0

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

Fund Type	Available 2004-05	Recommended 2005-06	Change
Special Revenue Funds - Federal	7,210,000	5,000,000	(2,210,000)
Special Revenue Funds - Other	100,611,000	103,307,000	2,696,000
Total	107,821,000	108,307,000	486,000

Adjustments:			
Transfer(s) From			
Special Pay Bill			
Special Revenue Funds - Federal	(7,000)		
Special Revenue Funds - Other	(2,117,000)		
Appropriated 2004-05	105,697,000		

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

Program	Available 2004-05	Recommended 2005-06	Change
Administration			
Special Revenue Funds - Other	49,506,000	50,676,000	1,170,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal	7,203,000	5,000,000	(2,203,000)
Special Revenue Funds - Other	51,105,000	52,631,000	1,526,000
State Grant Programs			
Special Revenue Funds - Federal	7,000	0	(7,000)
Total	107,821,000	108,307,000	486,000

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STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2005-06 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	50,676,000	1,170,000	15,304,000	(337,000)
Guaranteed Loan Programs	57,631,000	(677,000)	20,876,000	1,526,000
State Grant Programs	0	(7,000)	0	(5,000)
Total	<u>108,307,000</u>	<u>486,000</u>	<u>36,180,000</u>	<u>1,184,000</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	34,872,000	1,507,000	500,000	0
Guaranteed Loan Programs	31,755,000	0	5,000,000	(2,203,000)
State Grant Programs	0	(2,000)	0	0
Total	<u>66,627,000</u>	<u>1,505,000</u>	<u>5,500,000</u>	<u>(2,203,000)</u>

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

Fund Type	Available 2004-05	Recommended 2005-06	Change
General Fund	944,905,000	773,615,000	(171,290,000)
Special Revenue Funds - Federal	5,216,000	7,000,000	1,784,000
Special Revenue Funds - Other	4,000,000	18,630,000	14,630,000
Total	<u>954,121,000</u>	<u>799,245,000</u>	<u>(154,876,000)</u>

Adjustments:

Prior Year Deficiency			
Higher Education Services Corporation, New York State General Fund	33,900,000		
Transfer(s) From			
Special Pay Bill			
General Fund (State Operations)	(7,000)		
Appropriated 2004-05	<u>988,014,000</u>		

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

Program	Available 2004-05	Recommended 2005-06	Change
Administration			
General Fund	7,000	0	(7,000)
Scholarships and Fellowships			
General Fund	23,668,000	29,068,000	5,400,000
Special Revenue Funds - Other	4,000,000	4,000,000	0
State Grant Programs			
General Fund	906,600,000	744,547,000	(162,053,000)
Special Revenue Funds - Federal	5,216,000	7,000,000	1,784,000
Tuition Awards for Part-Time Students			
General Fund	14,630,000	0	(14,630,000)
Special Revenue Funds - Other	0	14,630,000	14,630,000
Total	<u>954,121,000</u>	<u>799,245,000</u>	<u>(154,876,000)</u>