

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 10 gubernatorial appointees include two student representatives, a representative of the general public, a college financial aid administrator, a chief executive officer of a degree-granting proprietary institution, two presidents of independent institutions, one chief executive officer of a non-degree 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 700 employees in 2007-08. Virtually all employees are paid through funds received for the administration of Federal student loans. Agency administrative operations are located in Albany.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

The Executive Budget recommends \$1.04 billion in support of agency operations and programs. Of this amount, approximately \$121 million will be available to support administration of State and Federal student aid programs and \$919 million will be awarded in financial aid to students or colleges to promote access to postsecondary educational opportunities.

Of the \$919 million invested in financial aid and institutional grants, General Fund support accounts for nearly \$908 million. Support for the remaining expenditures is provided from special revenue and Federal funds.

STATE OPERATIONS

The Corporation will continue to improve its operational efficiency in 2007-08 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

FINANCIAL AID PROGRAMS

New York leads the nation in funding for needs-based student financial aid, and \$857 million is proposed for the State's Tuition Assistance Program for the coming year. This represents a net decrease of \$18.7 million reflecting program growth, less \$30 million in savings from proposed reforms. This amount will fully fund the existing TAP program, and provide additional funding for the new Part-Time TAP program enacted in 2006.

For the coming year, reforms are proposed to promote the wise investment of taxpayer funds. Specifically, use of the Ability to Benefit Test (ATB) will be discontinued as a measure of determining academic eligibility for TAP beginning with the 2007-08 academic year. This reform will conform New York's eligibility standards to those currently in use by other major states, and ensure all TAP recipients have the academic skills they need to successfully complete college-level coursework. This reform will also address irregularities in ATB test administration identified in audits conducted by the Office of the State Comptroller.

The 2007-08 Executive Budget further provides \$36 million for various scholarship and fellowship programs, reflecting an increase of \$2.2 million in funding for the Math and Science Teaching Initiative Scholarships enacted in 2006. The Math and Science Teaching Initiative Scholarships program will provide 500 new annual scholarships in amounts equal to the tuition charged at the State University of New York or actual tuition, whichever is less, for students at our public and private colleges who make a five-year commitment to teach math or science in middle/ high schools located within the State.

PROGRAM HIGHLIGHTS

STATE OPERATIONS

The Corporation continues to move many of its services to the Internet. 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. Colleges 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 State residents to apply for Federal and State financial aid through the Internet.

In 2007-08, the Corporation will continue to coordinate the State's participation in the Federal GEAR-UP program. In 2006, the Corporation was awarded its second six-year Federal GEAR-UP grant in the amount of \$21 million 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 \$19.9 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, the Corporation purchases the defaulted loans

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:

- \$7.0 billion in new guaranteed loans in 2005-06;
- Processing of student loans for over 741,000 borrowers; and
- Defaulted loan collections of \$355 million and defaulted loan purchases of \$357 million in 2005-06.

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: \$857 million in State aid will be provided to both full- and part-time recipients in all sectors of higher education with an additional \$7 million in federal funding in support of tuition assistance;
- Aid for Part Time Study: \$14.6 million will be available to over 21,000 part-time students in all sectors of higher education; and
- Scholarships and Fellowships: \$36 million will be provided for various scholarships and fellowships including the American Airlines Flight 587 Memorial Scholarships, the New York State Math and Science Teaching Initiative Scholarships, Senator Patricia K. McGee Nursing Faculty Scholarships/Nursing Faculty Loan Forgiveness Incentive Program and the Regents Licensed Social Worker Loan Forgiveness Program. Over 25,000 recipients are projected to receive aid under the fifteen 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 461,000 accounts have been opened, with contributions totaling approximately \$5.0 billion. New York's program has received national recognition as one of the top college savings plans in the nation.

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ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2006-07	Appropriations Recommended 2007-08	Change	Reappropriations Recommended 2007-08
State Operations	110,455,000	121,217,000	10,762,000	5,000,000
Aid To Localities	955,303,000	918,817,000	(36,486,000)	20,000,000
Capital Projects	0	0	0	0
Total	1,065,758,000	1,040,034,000	(25,724,000)	25,000,000

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

Full-Time Equivalent Positions (FTE)

Program	2006-07 Estimated FTEs 03/31/07	2007-08 Estimated FTEs 03/31/08	FTE Change
Administration			
Special Revenue Funds - Other	320	320	0
Guaranteed Loan Programs			
Special Revenue Funds - Other	380	380	0
Total	700	700	0

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

Fund Type	Available 2006-07	Recommended 2007-08	Change
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	105,455,000	116,217,000	10,762,000
Total	110,455,000	121,217,000	10,762,000

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

Program	Available 2006-07	Recommended 2007-08	Change
Administration			
Special Revenue Funds - Other	51,451,000	61,899,000	10,448,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	54,004,000	54,318,000	314,000
Total	110,455,000	121,217,000	10,762,000

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STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2007-08 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	61,899,000	10,448,000	16,030,000	267,000
Guaranteed Loan Programs	59,318,000	314,000	21,816,000	314,000
Total	<u>121,217,000</u>	<u>10,762,000</u>	<u>37,846,000</u>	<u>581,000</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	40,369,000	5,181,000	5,500,000	5,000,000
Guaranteed Loan Programs	32,502,000	0	5,000,000	0
Total	<u>72,871,000</u>	<u>5,181,000</u>	<u>10,500,000</u>	<u>5,000,000</u>

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

Fund Type	Available 2006-07	Recommended 2007-08	Change
General Fund	924,303,000	907,817,000	(16,486,000)
Special Revenue Funds - Federal	7,000,000	7,000,000	0
Special Revenue Funds - Other	24,000,000	4,000,000	(20,000,000)
Total	<u>955,303,000</u>	<u>918,817,000</u>	<u>(36,486,000)</u>

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

Program	Available 2006-07	Recommended 2007-08	Change
Scholarships and Fellowships			
General Fund	33,768,000	35,968,000	2,200,000
Special Revenue Funds - Other	4,000,000	4,000,000	0
State Grant Programs			
General Fund	875,905,000	857,219,000	(18,686,000)
Special Revenue Funds - Federal	7,000,000	7,000,000	0
Special Revenue Funds - Other	20,000,000	0	(20,000,000)
Tuition Awards for Part-Time Students			
General Fund	14,630,000	14,630,000	0
Total	<u>955,303,000</u>	<u>918,817,000</u>	<u>(36,486,000)</u>