

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.

BUDGET HIGHLIGHTS

The Executive Budget recommends **\$988.5 million (\$821.8 million General Fund, \$166.7 million Other Funds)** in support of the Corporation. This reflects a net decrease of **\$68.6 million (a \$103.1 million General Fund decrease and a \$34.5 million Other Funds increase)** from the 2007-08 budget. This decrease primarily reflects the continued implementation of prior-year Tuition Assistance Program (TAP) eligibility reforms, such as increased minimum academic standards and more stringent requirements related to the use of the Ability to Benefit (ATB) test, as well as 2008-09 savings and revenue actions highlighted below.

The Executive Budget recommends a staffing level of **700 FTEs** for the Corporation, unchanged from 2007-08 staffing levels. Virtually all employees are paid through funds received for the administration of Federal student loans. Agency administrative operations are located in Albany.

Major budget actions include:

- **Veterans' Tuition Coverage Program**: The 2008-09 Executive Budget includes \$2 million to provide all returning combat veterans who served in the Vietnam, Afghanistan or Persian Gulf conflicts with a tuition benefit in the amount of up to the full cost of SUNY tuition (\$4,350) to be used at any college or university in New York State. This will expand upon the benefits already available through the existing Veterans' Tuition Assistance program, which provides awards up to

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- \$2,000, and the Recruitment Incentive and Retention Program, which provides some active National Guard members and Guard Members who have been deployed with the equivalent of full SUNY tuition at New York State colleges and universities.
- **Challenge Grant Program:** This new federal program awards matching grants to organizations to increase the number of eligible students from underserved populations who enter and complete college. Organizations that receive these funds must provide need-based grants to eligible students. It is expected that HESC will receive a grant of up to \$7.0 million for the 2008-09 academic year.
 - **Default Collection Collaboration with the U.S. Department of Education:** The Corporation and the U.S. Department of Education (DOE) will collaborate to collect on defaulted Federal FFELP and Direct loans. The Executive Budget authorizes the New York State Department of Taxation and Finance to provide HESC with certain information for educational loan borrowers to enable this collaboration. Revenues generated by this initiative will be used to support TAP program expenditures.
 - **Default Parity:** Currently, students in default on Federal loans guaranteed by the Corporation are ineligible to receive TAP payments, but students in default on Federal loans guaranteed by organizations other than the Corporation retain TAP eligibility. The 2008-09 Executive Budget provides that all students in default on Federal loans would be ineligible for TAP awards, regardless of guarantor. This measure is expected to produce savings of \$2.6 million in 2008-09.
 - **Federal Default Fee:** The Executive Budget assumes that the Corporation will no longer cover a federally mandated student loan default fee on loans that it guarantees. The fee is assessed to borrowers, and is equivalent to one percent of the loan amount. In 2008-09, this action will reduce the Corporation's costs by \$26.6 million, which will be used to support TAP program expenditures.

PROGRAM HIGHLIGHTS

STATE OPERATIONS

HESC has made it easier for students to secure college loans by allowing them to apply on-line for loans and electronically sign promissary notes. The Corporation will continue to improve its operational efficiency in 2008-09 through increased reliance on technology and streamlined administrative practices. Colleges and lenders are now able to conduct all loan transactions on-line. During the 2008-09 academic year, the Corporation will launch its new website, New York State Marketplace. This portal will facilitate choice, competition and transparency for all government and private student loan products by providing students and their families with access to a broad spectrum of lending and guarantee information.

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 reduce costs, improve services and increase responsiveness through shared development efforts.

The Corporation will also continue to coordinate the State's participation in the Federal GEAR-UP program in 2008-09. The Corporation was awarded its second, six-year Federal GEAR-UP grant in the amount of \$21 million in 2006. This program provides 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 (FFELP). Under this program, the Corporation guarantees over \$21.2 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. In addition, the Corporation provides customer services for lenders, schools and students. This includes 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:

- \$4.6 billion in new guaranteed loans in 2006-07;
- Processing of student loans for over 655,000 borrowers; and
- Defaulted loan collections of \$418 million and defaulted loan purchases of \$409 million in 2006-07.

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: New York leads the nation in funding for needs-based student financial aid, and \$796.4 million in State Operating Funds will be provided to both full- and part-time (TAP) recipients in all sectors of higher education with an additional \$12.9 million in federal funding in support of tuition assistance;
- 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: \$42.4 million will be provided for various scholarships, fellowships, and loan forgiveness programs including the American Airlines Flight 587 Memorial Scholarships, the World Trade Center 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 26,000 recipients are projected to receive aid under the fifteen State and Federal scholarship programs administered by the Corporation. Additionally, the Veterans' Tuition Assistance program will be supplemented by \$2.0 million for the new Veterans' Tuition Coverage program that provides eligible combat veterans with a tuition benefit in an amount up to the full cost of SUNY tuition.

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

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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 535,000 accounts have been opened, with contributions totaling approximately \$7.5 billion. New York's program has received national recognition as one of the top college savings plans in the nation.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2007-08	Appropriations Recommended 2008-09	Change	Reappropriations Recommended 2008-09
State Operations	121,216,200	118,252,000	(2,964,200)	3,700,000
Aid To Localities	935,869,000	870,296,000	(65,573,000)	0
Capital Projects	0	0	0	0
Total	1,057,085,200	988,548,000	(68,537,200)	3,700,000

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

Full-Time Equivalent Positions (FTE)

Program	2007-08 Estimated FTEs 03/31/08	2008-09 Estimated FTEs 03/31/09	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 2007-08	Recommended 2008-09	Change
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	116,216,200	113,252,000	(2,964,200)
Total	121,216,200	118,252,000	(2,964,200)

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

Program	Available 2007-08	Recommended 2008-09	Change
Administration			
Special Revenue Funds - Other	61,899,000	57,969,000	(3,930,000)
Guaranteed Loan Programs			
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	54,317,200	55,283,000	965,800
Total	121,216,200	118,252,000	(2,964,200)

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STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2008-09 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	57,969,000	(3,930,000)	16,129,000	99,000
Guaranteed Loan Programs	60,283,000	965,800	22,001,000	185,000
Total	<u>118,252,000</u>	<u>(2,964,200)</u>	<u>38,130,000</u>	<u>284,000</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	41,340,000	971,000	500,000	(5,000,000)
Guaranteed Loan Programs	33,282,000	780,800	5,000,000	0
Total	<u>74,622,000</u>	<u>1,751,800</u>	<u>5,500,000</u>	<u>(5,000,000)</u>

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

Fund Type	Available 2007-08	Recommended 2008-09	Change
General Fund	924,869,000	821,796,000	(103,073,000)
Special Revenue Funds - Federal	7,000,000	12,900,000	5,900,000
Special Revenue Funds - Other	4,000,000	35,600,000	31,600,000
Total	<u>935,869,000</u>	<u>870,296,000</u>	<u>(65,573,000)</u>

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

Program	Available 2007-08	Recommended 2008-09	Change
Scholarships and Fellowships			
General Fund	35,968,000	42,413,000	6,445,000
Special Revenue Funds - Other	4,000,000	4,000,000	0
State Grant Programs			
General Fund	874,271,000	764,753,000	(109,518,000)
Special Revenue Funds - Federal	7,000,000	12,900,000	5,900,000
Special Revenue Funds - Other	0	31,600,000	31,600,000
Tuition Awards for Part-Time Students			
General Fund	14,630,000	14,630,000	0
Total	<u>935,869,000</u>	<u>870,296,000</u>	<u>(65,573,000)</u>