

# **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 (SUNY) and the City University of New York (CUNY) 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. Agency administrative operations are located in Albany.

## **BUDGET HIGHLIGHTS**

The Executive Budget recommends **\$1.04 billion All Funds** (\$896 million General Fund; \$143 million Other Funds) in support of the Corporation. This is a net increase of **\$44 million** (a \$72 million General Fund increase and a \$28 million Other Funds decrease) over 2008-09 funding levels. The Budget reflects an investment to help establish a new State student loan program and increased spending for the Tuition Assistance Program (TAP) driven by anticipated tuition increases at SUNY and CUNY, offset by reduced administrative spending by the Corporation.

The Executive Budget recommends a staffing level of **682 FTEs** for the Corporation, a decrease of 18 from 2008-09 staffing levels. Virtually all employees are paid through funds received for the administration of Federal student loans.

Major budget actions include:

- **Establish the New York Higher Education Loan Program:** The Executive Budget includes a \$50 million General Fund investment to support the creation of a new affordable student loan program for New York State residents attending New York State higher education institutions. This program will help students fill the gap between the cost of college attendance and available financial aid by providing education loans of up to \$10,000 annually at rates that are significantly below conventional private bank student loans.
- Increase TAP Funding for SUNY and CUNY Tuition Adjustments:** The Executive Budget includes \$44 million to support increased TAP awards resulting from the recommended tuition rate increases for SUNY and CUNY.

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- **Increase TAP Full-Time Eligibility Threshold to 15 Credits and Expand TAP Eligibility:** Currently, although students must earn an average of 15 credits per semester in order to graduate on a timely basis after eight semesters of study, students who earn as few as 12 credits per semester are eligible for full TAP awards. This disparity can result in students being short of the 120 credits required for graduation when they reach the current eight semester lifetime TAP eligibility limit. To remedy this, the 2009-10 Executive Budget defines full-time study as 15 credits per semester, converts the lifetime TAP eligibility limit from 8 semesters to 120 credits, and provides pro-rated TAP awards for students taking between 10 and 14 credits per semester. Combined, these measures are expected to produce savings of \$31 million in 2009-10.
- **Treat Pension Income Equitably in TAP Eligibility Determinations:** Currently, unlike income earned from private sector pension systems, income earned from public sector pension systems is not included in TAP award eligibility determinations. The 2009-10 Executive Budget eliminates this inequity by including all pension income in TAP eligibility determinations. This measure is expected to produce savings of \$15 million in 2009-10.
- **Increase Academic Standards for Continued TAP Eligibility:** The 2009-10 Executive Budget would increase minimum academic standards for non-remedial students to maintain TAP eligibility. Such students will now be required to have earned at least 18 credits and a 1.8 Grade Point Average (GPA) after two semesters of study. Current standards would remain unchanged for remedial students. These measures are expected to produce savings of \$6.5 million in 2009-10.
- **Eliminate TAP for Graduate Study:** The 2009-10 Executive Budget eliminates TAP award eligibility for graduate students. This measure is expected to produce savings of \$3 million in 2009-10.
- **Eliminate Enhanced TAP Awards for Multiple Family Members:** The 2009-10 Executive Budget eliminates the current enhancement in TAP award amounts for applicants who have multiple dependent family members in college. This measure is expected to reduce TAP spending by \$6 million in 2009-10.
- **Establish 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 2009-10 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 \$3.7 million in 2009-10.

## ***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 promissory notes. The Corporation will continue to improve its operational efficiency in 2009-10 through increased reliance on technology and streamlined administrative practices. Colleges and lenders are now able to conduct all loan transactions on-line using the Corporation's "New York State

Marketplace,” an internet portal that facilitates 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 2009-10, providing early college preparation and guidance services to low-income individuals.

### **NEW YORK HIGHER EDUCATION LOAN PROGRAM**

The Executive Budget establishes a new student loan program for New York State residents. The New York Higher Education Loan Program will provide students and parents with access to low-cost loans not currently available in the private loan market. The Program is a partnership between the State, private lenders and higher education institutions that will make available at least \$350 million annually in student loans with interest rates well below those of conventional private bank offerings, beginning in the spring semester of the 2009-10 academic year. Eligible students must be New York State residents attending degree-granting postsecondary education institutions in the State that are approved to participate in Federal HEA Title IV student aid programs. The Corporation will finance and administer the program in tandem with the State of New York Mortgage Agency (SONYMA). It is expected that SONYMA will issue \$350 million in tax-free bonds in 2009-10 to finance new fixed rate loans of up to \$10,000 per borrower. There will also be unlimited private lender participation in an affordable variable rate loan program. In addition to the allocation of Private Activity Bond Volume Cap to authorize the issuance of the SONYMA tax-exempt bonds, in 2009-10, the State will make available \$50 million to support a guarantee fund that will enable favorable borrower interest rates and fees. The debt-service on program bonds will be entirely self-supported by loan repayments and borrower fees, and the bonds issued by SONYMA will not be considered State-supported debt.

### **FEDERAL LOAN GUARANTEE PROGRAM**

The traditional cornerstone of the Corporation’s operations is the administration of the Federal Family Education Loan program (FFELP). Under this program, more than \$21.2 billion in outstanding FFELP loans are guaranteed by the Corporation. FFELP loans are made by banks to students, and should the banks prove unable to collect loan repayments from students following the completion of their studies, 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:

- \$3.7 billion in new guaranteed loans in 2007-08;
- Processing of student loans for over 615,000 borrowers; and

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- Defaulted loan collections of \$416 million and defaulted loan purchases of \$464 million in 2007-08.

### ***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 \$788 million in General Fund support will be provided to both full- and part-time (TAP) recipients in all sectors of higher education, with an additional \$5.9 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: \$43.3 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.

### ***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 590,000 accounts have been opened, with contributions totaling approximately \$8.0 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 2008-09	Appropriations Recommended 2009-10	Change	Reappropriations Recommended 2009-10
State Operations	122,610,000	160,391,000	37,781,000	7,000,000
Aid To Localities	872,149,000	878,829,000	6,680,000	7,000,000
Capital Projects	0	0	0	0
Total	<u>994,759,000</u>	<u>1,039,220,000</u>	<u>44,461,000</u>	<u>14,000,000</u>

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

### Full-Time Equivalent Positions (FTE)

Program	2008-09 Estimated FTEs 03/31/09	2009-10 Estimated FTEs 03/31/10	FTE Change
Administration			
Special Revenue Funds - Other	320	312	(8)
Guaranteed Loan Programs			
Special Revenue Funds - Other	380	370	(10)
Total	<u>700</u>	<u>682</u>	<u>(18)</u>

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

Fund Type	Available 2008-09	Recommended 2009-10	Change
General Fund	0	50,000,000	50,000,000
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	117,610,000	105,391,000	(12,219,000)
Total	<u>122,610,000</u>	<u>160,391,000</u>	<u>37,781,000</u>

Adjustments:

Transfer(s) From	
Special Pay Bill	
Special Revenue Funds - Other	(4,693,000)
Transfer(s) To	
Audit and Control, Department of	
General Fund	335,000
Appropriated 2008-09	<u>118,252,000</u>

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

Program	Available 2008-09	Recommended 2009-10	Change
Administration			
Special Revenue Funds - Other	62,327,000	50,569,000	(11,758,000)
Education Loan Program, New York State			
General Fund	0	50,000,000	50,000,000
Special Revenue Funds - Other	0	5,000,000	5,000,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	55,283,000	49,822,000	(5,461,000)
Total	<u>122,610,000</u>	<u>160,391,000</u>	<u>37,781,000</u>

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**STATE OPERATIONS - GENERAL FUND  
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED  
APPROPRIATIONS AND CHANGES  
2009-10 RECOMMENDED  
(dollars)**

Program	Total		Maintenance Undistributed	
	Amount	Change	Amount	Change
Education Loan Program, New York State	50,000,000	50,000,000	50,000,000	50,000,000
Total	50,000,000	50,000,000	50,000,000	50,000,000

**STATE OPERATIONS - OTHER THAN GENERAL FUND  
SUMMARY OF APPROPRIATIONS AND CHANGES  
2009-10 RECOMMENDED  
(dollars)**

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	50,569,000	(11,758,000)	15,502,000	(3,768,000)
Education Loan Program, New York State	5,000,000	5,000,000	0	0
Guaranteed Loan Programs	54,822,000	(5,461,000)	21,408,000	(593,000)
Total	110,391,000	(12,219,000)	36,910,000	(4,361,000)

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	35,067,000	(7,825,000)	0	(165,000)
Education Loan Program, New York State	0	0	5,000,000	5,000,000
Guaranteed Loan Programs	28,414,000	(4,868,000)	5,000,000	0
Total	63,481,000	(12,693,000)	10,000,000	4,835,000

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

Fund Type	Available 2008-09	Recommended 2009-10	Change
General Fund	823,729,000	845,729,000	22,000,000
Special Revenue Funds - Federal	12,900,000	10,900,000	(2,000,000)
Special Revenue Funds - Other	35,520,000	22,200,000	(13,320,000)
Total	872,149,000	878,829,000	6,680,000

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

Program	Available 2008-09	Recommended 2009-10	Change
Scholarships and Fellowships			
General Fund	41,669,000	42,306,000	637,000
Special Revenue Funds - Other	3,920,000	0	(3,920,000)
State Grant Programs			
General Fund	767,703,000	789,066,000	21,363,000
Special Revenue Funds - Federal	12,900,000	10,900,000	(2,000,000)
Special Revenue Funds - Other	31,600,000	22,200,000	(9,400,000)
Tuition Awards for Part-Time Students			
General Fund	14,357,000	14,357,000	0
Total	872,149,000	878,829,000	6,680,000