

HIGHER EDUCATION SERVICES CORPORATION

MISSION

The Higher Education Services Corporation 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, ten of whom are appointed by the Governor to six-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 nominated 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 869 employees in 1999-2000. Of this total, 710 positions (82 percent) are paid through funds received for the administration of federal student loans and 159 positions (18 percent) are paid from State funds for administration of State student financial aid programs. 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 \$712 million in support of agency operations and programs. Of this amount, nearly \$88 million will be available to support administration of State and federal student aid programs and \$624 million will be awarded in financial aid to students or colleges to provide access to postsecondary opportunities and help maintain New York's leadership in higher education.

General Fund support of \$10.7 million is recommended for administration of State grants and scholarships, an increase of \$257,000, primarily to cover costs relating to rental space and building code compliance. Approximately \$77 million of the operating budget represents federal loan-related functions, which are supported from non-General Fund sources. Costs for shared data processing, personnel, finance and other administrative activities are allocated proportionately according to time expended for State or federal activities.

Of the \$624 million invested in financial aid and institutional grants, General Fund dollars account for more than \$614 million. Support for the remaining expenditures comes from federal funds and non-General Fund revenues.

STATE OPERATIONS

The Corporation will continue to improve administrative practices in 1999-2000 through investments in enhanced employee skills, modern technological infrastructure, and

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streamlined administrative practices as outlined in a newly-developed business plan. In addition to a renewed emphasis on providing comprehensive services to their clientele, the Corporation continues to develop partnerships with guaranty agencies from across the nation to streamline costs, improve services, and increase responsiveness through shared development efforts.

FINANCIAL AID PROGRAMS

The 1999-2000 recommendation for the Tuition Assistance Program (TAP) is \$501.1 million on an academic year basis. This level of funding reflects a restructuring of the program to encourage students to progress toward timely completion of an undergraduate degree, which ensures that TAP remains available to students throughout their undergraduate college career, and reduced program expenditures attributable to income growth produced by a resurgent State economy. As a result of increases in family incomes and favorable employment opportunities, fewer students are expected to participate in TAP in the coming year, thereby generating a savings of nearly \$19 million. Restructuring TAP is expected to achieve 1999-2000 savings of \$114 million.

Major components of the restructured TAP program are as follows:

- Establishing an "expected student participation" (ESP) equal to 25 percent of tuition; providing a TAP award at the lower of \$4,125 or 75 percent of tuition. Students would meet the cost of the ESP through federal grants, campus-based aid, work-study or student loans.
- Creating a "reward" program to be known as the Achievement Incentive Dividend (AID) program, whereby the ESP is refunded for TAP recipients who graduate in a timely manner -- i.e., two years for an associate degree and four years for a baccalaureate, with additional time for certain extended baccalaureate programs and for opportunity program students. In addition, students graduating on time will be eligible for a "bonus" of the \$200 reduction currently applied against annual TAP awards after the fourth semester payment. As a result, students who complete their degree within these time frames would receive more State financial aid than at the present time.
- Redefining full-time study as 15 credits vs. the current 12 credits for receipt of TAP. Students enrolling in and earning 15 credit hours per semester would receive full TAP awards. Students enrolling in 15 credits, but earning less than 15 credits would receive 80 percent of a full-time award if they meet the satisfactory academic progress standards currently established for TAP.
- Apportioning the TAP maximum eight semester limit equally between two-year and four-year programs vs. the six semesters currently permitted for two-year programs. This will encourage students to complete their associate degree programs on a timely basis, and ensure students have not exhausted their TAP eligibility should they subsequently pursue a baccalaureate. Opportunity program students would be provided five semesters.
- Conforming TAP family income eligibility used for determining TAP awards from the current State's net taxable income (NTI) to the more widely used federal adjusted gross income (AGI) and reconciling State and federal criteria for determining a student's independent status will simplify the TAP program for both students and college financial aid officers. Setting income limits at the equivalent of \$50,500 AGI rather than the current \$50,500 NTI will ensure that TAP is targeted to those students most in need of assistance.

A total of \$10.5 million will support the continued phased implementation of the expanded Scholarships for Academic Excellence program, initially enacted in 1996. Under the expanded program, 2,000 of New York's top scholars will be eligible for annual awards of \$1,500 and 6,000 academically distinguished high school students will be eligible for

annual awards of \$500 for four years of undergraduate study. By recognizing high school achievement, this program encourages our most academically talented students to pursue their postsecondary education in New York State.

To promote the efficient delivery of higher education services, several programs promoting access to higher education opportunities will be transferred from the State Education Department to the Corporation. These include: Bundy Aid (\$44.25 million in unrestricted aid to private institutions); Higher Education Opportunity Program (\$16.4 million); Liberty Partnerships (\$11.0 million); Science and Technology Entry Program (\$7.5 million); Teacher Opportunity Corps (\$750,000); and Postsecondary Aid for Native Americans (\$635,000).

PROGRAM HIGHLIGHTS

STATE OPERATIONS

The Corporation continues to streamline and improve its computer systems for the payment and tracking of student financial aid funds. The Corporation's goal is to provide payments more quickly to students, parents and colleges and to improve the accuracy of State financial aid data.

In 1999-2000, the Corporation will coordinate the State's applications for five-year grants under the new \$120 million Federal GEAR UP program with State programs, such as "New York Mentoring" and "Ready Set Go", used to meet the matching requirements for the federal funding. The Corporation will develop alliances with educational and community-based organizations to focus program activity on at-risk youth to raise college awareness, ensure high school graduation and assist in college and financial aid application.

FEDERAL LOAN GUARANTEE PROGRAM

The largest part of agency operations is the administration of the Federal Family Education Loan program. Under this program, the Corporation guarantees over \$8.8 billion in outstanding loans made by banks to students. When banks are unable to collect loan repayments, the agency intervenes to avert default. If unsuccessful, loans are purchased from banks and measures are taken to bring such defaulted loans back 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:

- \$1.57 billion in new guaranteed loans estimated for 1998-99;
- Loans guaranteed for approximately 260,000 individual borrowers; and
- Projected defaulted loan collections of over \$165 million and \$203 million defaulted loan purchases in 1998-99.

FINANCIAL AID PROGRAMS

The Corporation's State-funded responsibilities include processing student applications for State student financial aid programs, 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: \$501.1 million in aid will be provided to students in the public and private sectors.

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- Aid for Part Time Study: \$14.6 million will be available to nearly 23,000 part-time students in all sectors of higher education.
- Scholarships and Fellowships: 5,200 recipients are projected to receive aid for special employment preparation or targeted needs under fifteen State and Federal programs; in 1999, 21,000 Scholarships for Academic Excellence will be available to students pursuing their college education in New York State.

COLLEGE CHOICE TUITION SAVINGS PROGRAM

Signed into law in 1997, the College Choice Tuition Savings Program presents a major commitment by the State 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 education at accredited public and private colleges in New York or anywhere in the country by providing 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, more than 55,000 enrollment kits have been requested, and more than 43,000 accounts have been opened, with contributions exceeding \$146 million.

ALL FUNDS APPROPRIATIONS

Category	Available 1998-99	Appropriations Recommended 1999-00	Change	Reappropriations Recommended 1999-00
State Operations	\$87,963,200	\$87,887,000	-\$76,200	\$750,000
Aid To Localities	759,283,000	624,083,000	-135,200,000	. . . . .
Capital Projects . . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Total	<u>\$847,246,200</u>	<u>\$711,970,000</u>	<u>-\$135,276,200</u>	<u>\$750,000</u>

ALL FUND TYPES LEVELS OF EMPLOYMENT BY PROGRAM ANNUAL SALARIED POSITIONS

Program	Available 1998-99	1999-00 Recommended Average Fill Level			Change
		Personal Service (Regular)	Maintenance Undistributed	Total Recommended 1999-00	
Administration					
General Fund	62	50	. . . . .	50	-12
Special Revenue Funds — Other	241	241	. . . . .	241	. . . . .
Guaranteed Loan Programs					
Special Revenue Funds — Other	529	469	469	-60
Grants and Scholarships					
General Fund	<u>100</u>	<u>105</u>	<u>.</u>	<u>105</u>	<u>+ 5</u>
Total	<u>932</u>	<u>865</u>	<u>.</u>	<u>865</u>	<u>-67</u>

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STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS

<u>Fund Type</u>	Available 1998-99	Recommended 1999-00	Change
General Fund	\$10,492,700	\$10,750,000	+ \$257,300
Special Revenue Funds — Other	77,470,500	77,137,000	-333,500
Total	\$87,963,200	\$87,887,000	-\$76,200
Adjustments:			
Transfer(s) From			
Education Department			
General Fund	-250,000		
Appropriated 1998-99	\$87,713,200		

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS

<u>Program</u>	Available 1998-99	Recommended 1999-00	Change
Administration			
General Fund	\$6,794,700	\$5,300,000	-\$1,494,700
Special Revenue Funds — Other	30,139,500	30,637,000	+ 497,500
Guaranteed Loan Programs			
Special Revenue Funds — Other	47,331,000	46,500,000	-831,000
Grants and Scholarships			
General Fund	3,698,000	5,450,000	+ 1,752,000
Total	\$87,963,200	\$87,887,000	-\$76,200

STATE OPERATIONS — GENERAL FUND SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES 1999-00 RECOMMENDED

<u>Program</u>	Total Personal Service		Personal Service Regular (Annual Salaried)		Temporary Service (Nonannual Salaried)	
	Amount	Change	Amount	Change	Amount	Change
Administration	\$2,700,000	-\$468,900	\$2,670,000	-\$463,200	. . . . .	. . . . .
Grants and Scholarships	3,529,000	-17,400	3,494,000	-15,300	\$35,000	-\$2,100
Total	\$6,229,000	-\$486,300	\$6,164,000	-\$478,500	\$35,000	-\$2,100

<u>Program</u>	Holiday/Overtime Pay (Annual Salaried)	
	Amount	Change
Administration	\$30,000	-\$5,700
Grants and Scholarships
Total	\$30,000	-\$5,700

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**STATE OPERATIONS — GENERAL FUND
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED
APPROPRIATIONS AND CHANGES
1999-00 RECOMMENDED**

Program	Total		Supplies and Materials	
	Amount	Change	Amount	Change
Administration	\$2,600,000	-\$1,025,800	\$164,000	-\$500
Grants and Scholarships	1,921,000	+ 1,769,400	61,000	+ 21,600
Total	<u>\$4,521,000</u>	<u>+ \$743,600</u>	<u>\$225,000</u>	<u>+ \$21,100</u>

Program	Travel		Contractual Services	
	Amount	Change	Amount	Change
Administration	\$5,000	-\$800	\$2,398,000	-\$1,024,200
Grants and Scholarships	8,000	+ 7,400	1,832,000	+ 1,730,200
Total	<u>\$13,000</u>	<u>+ \$6,600</u>	<u>\$4,230,000</u>	<u>+ \$706,000</u>

Program	Equipment	
	Amount	Change
Administration	\$33,000	-\$300
Grants and Scholarships	20,000	+ 10,200
Total	<u>\$53,000</u>	<u>+ \$9,900</u>

**STATE OPERATIONS — OTHER THAN GENERAL FUND
SUMMARY OF APPROPRIATIONS AND CHANGES
1999-00 RECOMMENDED**

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	\$30,637,000	+ \$497,500	\$9,493,800	. . . . .
Guaranteed Loan Programs	46,500,000	-831,000	16,500,000	-\$229,000
Total	<u>\$77,137,000</u>	<u>-\$333,500</u>	<u>\$25,993,800</u>	<u>-\$229,000</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	\$20,643,200	-\$2,500	\$500,000	+ \$500,000
Guaranteed Loan Programs	30,000,000	-602,000	. . . . .	. . . . .
Total	<u>\$50,643,200</u>	<u>-\$604,500</u>	<u>\$500,000</u>	<u>+ \$500,000</u>

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

Fund Type	Available	Recommended	Change
	1998-99	1999-00	
General Fund	\$749,883,000	\$614,683,000	-\$135,200,000
Special Revenue Funds — Federal	2,400,000	2,400,000	. . . . .
Special Revenue Funds — Other	7,000,000	7,000,000	. . . . .
Total	<u>\$759,283,000</u>	<u>\$624,083,000</u>	<u>-\$135,200,000</u>
Adjustments:			
Transfer(s) From			
Education Department			
General Fund			-81,735,000
Appropriated 1998-99	<u>\$677,548,000</u>		

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AID TO LOCALITIES ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS

Program	Available 1998-99	Recommended 1999-00	Change
State Grant Programs			
General Fund	\$633,600,000	\$501,100,000	-\$132,500,000
Special Revenue Funds — Federal	2,400,000	2,400,000	. . . .
Scholarships and Fellowships			
General Fund	19,918,000	18,418,000	-1,500,000
Special Revenue Funds — Other	7,000,000	7,000,000	. . . .
Tuition Awards for Part-Time Students			
General Fund	14,630,000	14,630,000	. . . .
Institutional Grants			
General Fund	81,100,000	79,900,000	-1,200,000
Post Secondary Aid for Native Americans			
General Fund	635,000	635,000	. . . .
Total	<u>\$759,283,000</u>	<u>\$624,083,000</u>	<u>-\$135,200,000</u>