

## **MINUTES**

### **HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY**

July 21, 2011

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on July 21, 2011 at 10:00 a.m. at the HESAA offices in Hamilton.

**PRESENT:** Fr. Michael Braden; Ms. Gabrielle Charette, Esq.; Ms. Liscet Duran; Mr. Richard Garcia; Ms. Wilma Harris; Dr. Harvey Kesselman; Mr. Julio Marengo; Ms. Rossy M. Matos; Ms. Jean McDonald Rash; Warren Smith, Esq.; Mr. Chris McDonough, Treasurer's Designee; Maria I. Torres (teleconference); Steven Weinstein; Mr. Wilmot Wilson, members.

**ABSENT:** Ms. Christy Van Horn.

#### **CALL TO ORDER**

Chair Garcia called the meeting to order at 10:03 am and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Garcia led those present in the Pledge of Allegiance.

Mr. Garcia welcomed the Board members and advised that because some members are participating via teleconference, Roseann Sorrentino will conduct a roll call for the resolutions.

Mr. Garcia welcomed David Reiner, from the Governor's Authorities Unit; Cheryl Clarke, Deputy Attorney General; Rev. Michael Braden, St. Peter's College, and Liscet Duran, Student Advisory Committee (SAC) Vice Chair.

Deputy Attorney General Cheryl Clarke swore-in Rev. Michael Braden, St. Peter's College, Representative, Independent Colleges and Universities; and Liscet Duran, Vice Chair SAC.

He advised that no members of the public have registered to speak.

Mr. Garcia asked Roseann Sorrentino to call the roll.

#### **CONSIDERATION OF THE MINUTES OF THE April 26, 2011 MEETING:**

A motion to approve the minutes of the April 26, 2011 meeting was made by Wilma Harris and seconded by Warren Smith. The minutes were approved unanimously with four recusals Dr. Kesselman, Fr. Braden, Mr. Weinstein and Liscet Duran who did not participate in the April 26, 2011 meeting.

**REPORT OF THE NOMINATING COMMITTEE AND ELECTION OF OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE (RESOLUTION 11:11 ELECTING A CHAIRPERSON, VICE CHAIRPERSON AND TWO MEMBERS OF THE EXECUTIVE COMMITTEE)**

Wilma M. Harris made the following presentation to the Board.

In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed Maria Torres, Jean McDonald Rash and myself to the Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board; and

The bylaws include the State Treasurer or designee and the Executive Director as members of the Executive Committee, with the Executive Director serving as Secretary/Treasurer. Accordingly, Chris McDonough, as Treasurer's Designee is a member of the Executive Committee, and Executive Director Gabrielle Charette will serve as Secretary/Treasurer of the Executive Committee.

The Nominating Committee met on June 14, 2011 and recommends electing Richard Garcia as Chairperson, Rossy Matos-Miranda as Vice Chairperson, Christy Van Horn as a member of the Executive Committee representing public members and Dr. Harvey Kesselman as a member of the Executive Committee representing institutional members, for fiscal year 2012.

A motion to approve Resolution 11:11 was made by Wilma Harris and seconded by Warren Smith. The motion was passed unanimously.

**RESOLUTION 12:11 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2011-2012**

Francine Andrea presented Resolution 12:11 to the Board.

On June 30, 2011, Governor Christie signed the Fiscal Year 2012 Appropriations Act, which includes level funding of \$294.298 million for the Full-Time TAG Program.

Language in the FY 2012 Appropriations Act outlines the requirements for full-time TAG award levels and program participation:

Within the limits of available appropriations, awards for students who demonstrate the highest need (those with a New Jersey Eligibility Index below 1500) shall not exceed 2009-2010 tuition levels, a two year lag compared to tuition charges.

Awards for all other TAG-eligible students shall not exceed the in-State undergraduate tuition's in effect at institutions in academic year 2007-2008 - a four-year lag compared to tuition.

The Fiscal Year 2012 budgetary footnote language restores awards at the for profit non-publics to the level of the not for profit non public institutions.

Based on budgetary footnote language one additional institution is eligible to participate in the TAG program in FY 12. HESAA anticipates 300 full year equivalent awards will be provided to eligible students attending Eastern International College during the 2011-2012 academic year.

In review of the expenditures for FY 2011, HESAA experienced unprecedented growth in both application volume as well as the number of TAG-eligible students. During FY 2011, application volume continued to increase by 4.6% to 531,100 applications. Approximately 72,000 students (61,400 full-year equivalent awards) received full-time TAG awards in 2010-2011, compared to 72,600 students (62,100 full-year equivalent awards) in 2009-2010 – a modest decrease of less than 1%.

FY 2011 year-end expenditures for the Full-Time TAG Program were approximately \$283.2 million - \$13.6 million below available appropriations.

Pursuant to FY 2012 budgetary footnote language, unexpended balances are to be held as a contingency reserve for unanticipated increases in the number of applicants qualifying for TAG, to fund shifts in the distribution of awards that result in an increase in total program costs, or to offset any shortfalls in the federal Leveraging Educational Assistance Partnership Program (LEAP). Since the federal LEAP program was not funded for the 2011-2012 academic year, \$855,000 of the contingency reserve will be used to replace these federal funds.

Total FY 2012 resources are \$295.711 million, which are sufficient to fund the Full-Time Tuition Aid Grant Award Table for Academic Year 2011-2012 shown in Attachment B. This table is projected to fund 62,824 full-year equivalent awards, an increase of 1,118 over FY 2011.

The Full-Time TAG Award Table was constructed as follows:

Awards at all sectors for students demonstrating the highest need (NJEI below 1500) will increase based on 2009-2010 tuition levels (a two-year lag), less approximately 7.7%

Awards at all sectors for students in the second NJEI cell (NJEIs between 1500 and 2499) will increase based on 2007-2008 tuition levels (a four-year lag), less approximately 7.7%

Awards for all other TAG-eligible students at public institutions are based on 2006-2007 tuition levels (a five-year lag), less approximately 7.7%. Accordingly, these awards will remain at 2010-2011 levels.

The intent of the FY 2012 budgetary footnote language is to equalize awards available to students attending for-profit and not-for-profit non-public institutions, as was the case prior to the 2009-2010 academic year. To achieve this, awards for all other TAG-eligible students at non-public (independent) institutions are based on 2006-2007 tuition levels (a five-year lag) less approximately 7.7%. These awards were further reduced by an additional 26.5% to remain within available appropriations.

However, overall funding available to students attending non-public institutions is projected to increase by 5.7% in 2011-2012.

It is recommended that the Board approve Resolution 12:11 Adopting Attachment A as the Full-Time Tuition Aid Grant Award Table for Academic Year 2011-2012.

A motion to approve Resolution 12:11 was made by Dr. Kesselman and seconded by Wilmot Wilson.

Discussion was had with the Board members expressing the following:

Wilma Harris provided that she is concerned about the downstream effect on the workforce in 10 to 15 years but she supported the provided tables.

Fr. Braden stated that these tables will have a dramatic impact on the independent sector affecting at least half of the students with a serious decrease in their awards. He commended staff for providing a table that maintains the top two cells but questioned how the tables demonstrated the required equity among the sectors. Ms. Andrea explained the budgetary footnote language for the last two years required reduced awards for the proprietary schools. This year the budgetary footnote language requires the proprietary schools to have the same awards as the non-profits. In order to support the first and second cells, cuts needed to be made in higher cells. After commending everyone for addressing the second cell, Dr. Kesselman explained that the average award for the non-public sector is still greater than those in the public sector.

Steven Weinstein added it's a sad but necessary day to take the available money and spread it as equally as possible. He spoke from the view of the Commission on Higher Education urging that the legislature and Governor's Office to review the Kean Task Force report with regards to the State's view on Higher Education. He stated there is no choice today, this needs to be done so the institutions and families can have some certainty. Each piece of Higher Education needs attention and no sector is benefiting at the expense of anyone else as there is a smaller pool to work with.

Wilmot Wilson stated that as a student he would like to thank HESAA for all that they do in helping students.

The motion was passed unanimously with one abstention, Fr. Michael Braden.

**RESOLUTION 13:11 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2011-2012**

Francine Andrea presented Resolution 13:11 to the Board

Attached for your review, comment, and approval is Resolution 13:11, Adopting a Part-Time Tuition Aid Grant for County Colleges Award Table for Academic Year (AY) 2011-2012. In accordance with the provisions of the Fiscal Year (FY) 2012 Appropriations Act, this action will establish a table of part-time Tuition Aid Grant (TAG) award values for the upcoming academic year.

During the 2010-2011 academic year, 10,500 students received awards totaling \$6.667 million. This is a reduction of approximately 17% compared to the number of 2009-2010 awards. It is important to note that there was an unprecedented 28% increase in the number of 2009-2010 part-time awards, which reverted in 2010-2011 to a level more consistent with historical program trends.

The FY 2012 Appropriations Act includes level funding of \$9.611 million for the Part-Time TAG for County Colleges Program.

Language in the FY 2012 Appropriations Act allows HESAA to retain the unexpended balances in the Part-Time TAG for County Colleges Program account. These funds serve as a contingency for unanticipated increases in the number of applicants qualifying for Part-Time TAG for County Colleges awards or to fund shifts in the distribution of awards that result in an increase in total program costs.

The Part-Time TAG Award Table shown in Attachment A follows the same parameters used to construct the 2011-2012 full-time TAG award table. That is, awards for students demonstrating the highest need (those with a New Jersey Eligibility Index (NJEI) below 1500) are based on 2009-2010 tuition levels less approximately 7.7% - a two-year lag; awards for students in the second NJEI cell (1500-2499) are based on 2007-2008 tuition levels less approximately 7.7% - a four-year lag; awards for all other eligible county college students are based on 2006-2007 tuition levels less approximately 7.7% - a five-year lag.

It is recommended that the Board approve Resolution 13:11 Adopting Attachment A as the Part-Time TAG for County Colleges Award Table for Academic Year 2011-2012.

A motion to approve Resolution 13:11 was made by Dr. Kesselman and seconded by Wilmot Wilson. The motion was passed unanimously.

**RESOLUTION 14:11 CONSIDERATION AND APPROVAL OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2010 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (CORZINE)**

Joel Mayer presented this agenda item. He stated that fiscal year 2010 was a difficult year as seen in the Annual Report. However, HESAA was successful in bringing its mission to the people who need it most. Mr. Mayer discussed the section of the report including statistics from the Federal Bureau of Labor on what various levels of education translate to in terms of employment. He explained that there is an unfortunate message in the media questioning whether higher education degrees are worth what they used to be. The statistics dramatically show how unemployment rates decrease as higher degrees are attained. This dramatic concrete data will be available to all people who view HESAA's Annual Report on line.

Mr. Mayer recommended that the Annual Report which includes HESAA's financials for FY 2010, be adopted.

A motion to approve Resolution 14:11 was made by Wilma Harris and seconded by Rossy Matos.

Harvey Kesselman discussed how useful this report is to show how Higher Education leads to revenue for the State. Julio Marengo stated that if available, New Jersey centric data would be helpful. Wilma Harris requested that the report be sent to the Assembly and Senate so they can see the return on their investment. Mr. Mayer assured her that it would be.

The motion was passed unanimously.

**RESOLUTION 15:11 CONSIDERATION OF PROPOSED AMENDMENTS OF THE REGULATIONS GOVERNING THE NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS), N.J.A.C. 9a:10-6**

Marnie Grodman presented Resolution 15:11 to the Board.

Resolution 15:11, Proposed Amendments to the New Jersey College Loans to Assist State Students (NJCLASS) Program Policies and Procedures, N.J.A.C. 9A:10-6.

NJCLASS loans are funded by the sale of bonds. The interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale and other costs determined by the bond sale. Each year HESAA staff evaluates the program and work with the Senior Manager and Financial advisor to restructure NJCLASS as necessary to provide the lowest possible interest rate. On occasion the programmatic changes have required regulatory changes, which in recent years have been required on an annual basis. The proposed amendments before you today are intended to allow for flexibility in structuring the loans.

For example, prior to 2006 the loan term was 15 years, after 2006 the term was 20 years, and for this year's bond deal the repayment term for the option 1 and 2 loans is again 15 years. The existing regulation lists which repayment term applied to which year. As amended, the recodified N.J.A.C. 9A:10-6.11(f) will refer borrowers to their application and promissory note disclosures to provide their loan terms.

Another amendment being made to add flexibility is with regards to fees. The current regulation allows fees to be deducted from the loan proceeds. The recommended amendment to section 6.8 will also allow for fees to be added to the loan balances. While this change is not being implemented this year, the regulatory amendment allows for the flexibility to implement as necessary.

A full copy of the all of the regulatory amendments is included in the materials. Upon the Board's approval of Resolution 15:11, the proposed amendments to N.J.A.C. 9A:10-6 will be published in the September 6, 2011 New Jersey Register.

A motion to approve Resolution 15:11 was made by Fr. Braden and seconded by Jean McDonald Rash.

The motion was passed unanimously.

**REPORT OF THE STUDENT ADVISORY COMMITTEE**

Francine Andrea presented this item to the Board.

The first meeting of the 2011-2012 Student Advisory Committee (SAC) was held on June 24, 2011 at 2 Quakerbridge Plaza. Following the welcome and introductions, staff from the Higher Education Student Assistance Authority (HESAA) provided a comprehensive overview of HESAA programs, products, and services. In addition, the role and responsibilities of the SAC were also discussed. In addition, HESAA was pleased at the number of membership applications received this year.

Mr. Wilmot Wilson, who served as Vice Chair of the 2010-2011 SAC, has been elected Chair of the 2011-2012 SAC. Mr. Wilson is a junior at St. Peter's College majoring in Political Science and Sociology. He is currently the Vice President of Finance for the Student Government Association and has aspirations of one day becoming a United States Senator.

Ms. Liscet Duran was a member of the 2010-2011 SAC and has been elected to serve as Vice Chair for 2011-2012. A senior at Kean University majoring in Mathematics Education in the New Jersey Center for Science Technology and Mathematics (NJCSTM), Ms. Duran plans to continue her education with graduate school. Presently, she is a Resident Assistant and the Secretary of the university's chapter of Campus Crusade for Christ. After graduation Ms. Duran plans on teaching either middle or high school mathematics.

## **EXECUTIVE DIRECTOR'S REPORT**

Gabrielle Charette thanked Governor Christies for appointing her as the Executive Director of HESAA and introduced herself to the Board. Ms. Charette gave the following report:

Since this Board last convened the state Fiscal Year 2012 budget was enacted. There were a number of changes in the final budget from what was proposed earlier in the year. TAG was discussed earlier in the meeting and language that would have allowed NJSTARS II students to use their awards at not only public but also private colleges and universities was struck from the Act. In addition the awards will remain at the \$6,000 and \$7,000 range and will require the public colleges and universities to contribute half the cost of the award with the state bearing the other half.

The Primary Care Physician/Dentist Loan Redemption program was held constant at \$1.5 million. However, a statutory provision of the Nursing Faculty Loan Redemption Program requires that 25% of these monies be allocated to fund loan redemptions to encourage nurses with graduate nursing degrees to enter teaching positions at our colleges and universities.

In addition to the state budget, the Authority has been engaged in its annual bond sale for the NJCLASS loan program. Last month HESAA completed the sale of \$326.5 million in bonds to support the NJ CLASS loans for the 2011 – 2012 academic year. This successful sale will allow the Authority to offer \$310 million in loans to New Jersey students or out-of-state students attending a New Jersey institution. Due to a number of factors the interest rates on these loans will be approximately 15 basis points lower than originally modeled earlier this year, and on some of the loan products lower than last year's actual rates. Specifically, the 10 year undergraduate loans are being offered at 6.6%; the 15 year loans at 7.35%; and the 20 year loans at 8.0%.

Much credit goes to previous Executive Director, Michael Angulo, since the majority of the work was done during his tenure, and to Chief Financial Officer Gene Hutchins who tenaciously monitored and negotiated every aspect of the deal right to the very end.

To date HESAA has received 9,014 applications for potentially \$167.7 million worth of loans.

While state matters loom large, decisions at the federal level continue to impact HESAA.

On May 31 a notice was published in the Federal Register inviting guarantee agencies to submit proposals to the Secretary for Voluntary Flexible Agreements as authorized by the Higher Education Act. The purpose of the VFAs is to allow guaranty agencies the opportunity to provide certain services to the federal government under the Federal Family Education Loan Program such as collections, default aversion, financial literacy training, outreach and early awareness services. Initial proposals are due by August 1. These are merely proposals and have no binding effect on either the guarantee agency or the Department. HESAA is working as part of a consortium with several other state based guarantee agencies including Florida, Illinois, Utah, Kentucky, North Carolina, Louisiana, Tennessee, Montana, New Hampshire and Georgia. In particular HESAA's role in the proposed consortium will focus on collections, debt management, financial literacy and school oversight – areas where HESAA has established core competencies. Again, this is a very preliminary step, once HESAA has a greater understanding of what the Department is looking for and the viability of the application staff will be providing the Board with a full briefing.

On June 23 the Department's Information Security Team was on site as part of a nation-wide program to evaluate the IT systems at those guaranty agencies that are in the process of pursuing contracts to service Federal Direct Loans. Compliance with the Federal Information Systems Management Act of 2002 (FISMA) is one of the preconditions for qualification as a Direct Loan servicer.

Direct lending, however, is not the sole reason to achieve FISMA compliance. Going forward, FISMA compliance will be required of the Authority for all future contracting opportunities with the federal government and may also be required in order to compete for and/or administer federal grants. Given the importance of this issue combined with the highly technical nature of the expertise required, the Authority has engaged Clarus Consulting to conduct a FISMA gap analysis of our information technology systems and internal administrative controls. The Clarus team will be on site throughout next week. Following their on site evaluation, Clarus will provide HESAA with a detailed road map to achieve FISMA compliance.

Earlier in the year, the Authority issued an RFP for a direct loan servicing system platform, and received 6 responses and which are currently being carefully scored these proposals. Staff will be scheduling in person interviews with some of the bidders as needed and will continue to update the Board as the process moves along.

On the federal grants front, last year, the State was awarded \$246,392 under the John R. Justice Loan Redemption Program which is designed to encourage attorneys to pursue careers as prosecutors and public defenders. HESAA was designated by the Governor as the agency to administer this program. Currently there are 30 participants in the program and the first round of payments will be made at the end of this calendar year, once the participants have completed a

year of service. Since the federal government has announced the availability of another round of funds, HESAA in collaboration with the Department of Law and Public Safety has applied once again to participate in this grant initiative and will advise the Board as soon as there is an update on the status of the application.

Given its extensive interplay with the federal government it is crucial that HESAA engage with those trade associations that have a seat at the table in Washington, DC. The Authority's Chief Financial Officer Gene Hutchins was elected chair of the National Council of Higher Education Loan Programs, aka NCHELP. NCHELP is a nationwide network of guaranty agencies, secondary markets, lenders, loan servicers, collection agencies postsecondary schools and other organizations involved in the administration of federal, state and private education loan programs. NCHELP provides a platform for its members to make their voices heard on public policy and regulatory issues to members of Congress and the Executive branch of the federal government.

HESAA like many government agencies has witnessed a number of staff retirements. Ms. Charette advised that she has taken an independent review of HESAA's vacancies and has submitted a revised request list of what she deems to be mission critical backfills to the Governor's office for their consideration. Ms. Charette will continue to work with David Reiner in the Authorities Unit on this important matter.

The Governor recently nominated some new board members who still have to go through the Senatorial Advice and Consent process but Elaine Papas Veras and Sam Della Ferra were kind enough to attend today's meeting as guests. HESAA thanks them for their early interest.

Ms. Charette concluded by thanking the Board for graciously welcoming her; always being available; and most importantly for their unwavering dedication to HESAA's number one priority: students.

## **NEW BUSINESS**

Gabrielle Charette read a resolution acknowledging and thanking the Student Advisory Committee member Jonathan Nycz for his service and dedication to the Higher Education Student Assistance Authority Board.

## **ADJOURNMENT**

Chair Garcia announced that there will be an Audit committee meeting following today's meeting. Our next Board meeting is scheduled for Wednesday October 26, 2011. After adjourning this Board Meeting the Board will enter a closed session, pursuant to the Open Public Meetings Act, to discuss pending litigation. This will be a closed session pursuant to N.J.S.A. 10:4-b(7), matters that fall under the attorney-client privilege. Details of the discussion that takes place in the closed session cannot be disclosed to the public until the conclusion of the litigation. A motion to adjourn and go to closed session was made by Wilma Harris and seconded by Jean McDonald Rash.

The motion to adjourn passed unanimously. The meeting adjourned at 11:05 am.