

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 26, 2011

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on October 26, 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; Dr. Harvey Kesselman; Ms. Betsy Garlatti, Secretary Of Higher Education Designee; Ms. Rossy M. Matos (teleconference); Ms. Jean McDonald Rash; Mr. Christopher McDonough, Treasurer's Designee; Mr. Warren Smith, Esq.(teleconference); Ms. Maria Torres; Ms. Christy Van Horn; Members.

ABSENT: Mr. Julio Marengo and Mr. Wilmot Wilson

Participating in person: Joseph Santoro, Senior Manager, Bank of America Merrill Lynch and Steven Kantor, Financial Advisor, First Southwest.

Participating via teleconference: Dr. Jon Larson, President, Ocean County College; and Nancy Gunza from Clifton Gunderson, Independent Auditor.

CALL TO ORDER

Chair Garcia called the meeting to order at 10:02 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; Dr. Jon Larson, President, Ocean County College; and Nancy Gunza from Clifton Gunderson, Independent Auditor.

Mr. Garcia introduced Betsy Garlatti, Secretary of Higher Education Designee.

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 JULY 21, 2011 MEETING:

A motion to approve the minutes of the July 21, 2011 meeting was made by Dr. Harvey Kesselman and seconded by Mr. Warren Smith. The minutes were approved unanimously with two recusals, Christy Van Horn and Betsy Garlatti who did not participate in the July 21, 2011 meeting.

CONSIDERATION OF THE MINUTES OF THE OCTOBER 7, 2011 MEETING:

A motion to approve the minutes of the October 7, 2011 meeting was made by Dr. Harvey Kesselman and seconded by Ms. Jean McDonald Rash. The minutes were approved unanimously with four recusals, Betsy Garlatti, Wilma Harris, Julio Marenco, and Rossy Matos-Miranda who did not participate in the October 7, 2011 meeting.

REPORT OF THE AUDIT COMMITTEE AND RESOLUTION 17:11 ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2011

Christy Van Horn thanked the Audit Committee for their work earlier this year, Richard Garcia, Rossy Matos, Chris McDonough. She also thanked Jean McDonald Rash for their work to engage the new firm of Clifton Gunderson. This is the first time Clifton Gunderson has done the audit for HESAA. The report was conducted for the preliminary testing for the loan originations function in June as well as completion of the audit documentation. The financial statement audit was conducted in August and September. The audit committee met in October 17th to review the preliminary reports. The committee is pleased to report that the combined financial statements of programs and funds for fiscal year 2010, ending July 2011 all received unqualified opinions. That means no negative or important findings in the report or the statement. The final audit reports were distributed to the Board members at the meeting and the committee recommends that the Board accept the audit.

Ms. Van Horn then turned the presentation over to Nancy Gunza from Clifton Gunderson.

Ms. Gunza stated there were unqualified opinions on all three reports that were issued. That means Clifton Gunderson did not have any negative audit findings and did not have any significant finds around internal controller or compliance for those areas they were required to test under government auditing standards. They did not have any significant difficulties in performing the audit and received full cooperation from management and the audit committee which they appreciated and wanted to report. Ms. Gunza thanked the Board for the opportunity to conduct HESAA's audit this year.

A motion to approve Resolution 17:11 was made by Ms. Wilma Harris and seconded by Ms. Rossy Matos.

The motion was passed unanimously.

RESOLUTION 18:11 ADOPTING A REVISED FULL-TIME TUITION AID GRANT (TAG) AWARD TABLE FOR THE SPRING 2012 SEMESTER

Heidi Kovalick reported on Resolution 18:11.

This year's TAG table included an additional reduction of 26.5% for students in the NJEI cells three and beyond in the non-public sector. Resolution 18:11 amends the tuition aid grant award table for the spring 2012 semester.

Based on preliminary cancellations HESAA was able to restore the spring awards for the students in these cells.

A motion to approve Resolution 18:11 was made by Dr. Harvey Kesselman and seconded by Fr. Michael Braden.

Betsy Garlatti inquired as to the timeline for notifying student of the TAG amendments. Gabrielle Charette explained that HESAA is prepared to disseminate revised Student Eligibility Notices on November 7th, immediately following the 10 day estoppels period from submission of the Board minutes. She further explained that HESAA would be notifying the schools allowing them to notify their students as well.

Liscet Duran thanked the Board on behalf of the students for making this amendment to the TAG table.

The motion was passed unanimously.

REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 19:11 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2013

Harvey Kesselman made the following presentation:

The budget committee of the HESAA Board met on October 3, 2010 to review FY 2013 Full-Time Tuition Aid Grant models reflecting various award parameters, as well as anticipated funding requirements for all other State-supported programs administered by HESAA.

I would like to begin by recognizing Governor Christie and the Legislature for their continued support of New Jersey's state grant and scholarship programs during these difficult economic times. Currently, over 81,000 State residents are benefiting from the State's financial aid programs.

The FY 2013 Board Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability to postsecondary education for New Jersey's residents through need-based student financial aid and merit-based scholarship programs. In developing this budget policy statement and its funding recommendations, the committee was mindful of the significant, on-going fiscal challenges facing the State of New Jersey.

The budget committee's funding recommendations are as follows.

Full-Time TAG Program

When the Board met in July 2011, the Full-Time TAG Award Table that was adopted set awards at a two-year lag compared to tuition for students demonstrating the highest need, less approximately 7.7%. Awards for all other TAG-eligible students were based on a four-year lag compared to tuition, less approximately 7.7%. Award amounts for students in all but the two neediest categories attending non public institutions were further reduced by 26.5% to remain within available resources.

At its October 3rd meeting, the budget committee reviewed the following FY 2013 Full-Time TAG models. Each of the models included funding for an additional 500 awards, for a total of 63,324 full-year equivalent awards.

Model 1 – A Two- and Four-year tuition lag model based on:

- 2010-2011 tuition levels for students with the highest need (NJEIs below 1500)
- 2008-2009 tuition levels for all other recipients

This model's projected FY 2013 cost is \$361.435 million, requiring an additional appropriation over FY 2012 of \$65.723 million.

Model 2 – A Two- and Four-year tuition lag model with a reduction of 7.7% across all cells

This model's projected FY 2013 cost is \$333.654 million, requiring an additional appropriation over FY 2012 - \$37.942 million; nearly \$28 million less than the first model.

The committee also considered the following full-funding models:

Model 3 – A One- and Three-year tuition lag model

- 2011-2012 tuition levels for students with the highest need (NJEIs below 1500)
- 2009-2010 tuition levels for all other recipients

This model's projected FY 2013 cost is \$375.049 million, requiring an additional appropriation over FY 2012 of \$79.338 million.

Model 3 requires \$13.6 million more than Model 1; and more than double that of Model 2, or \$41.4 million

Model 4 – A One- and Three-year tuition lag model with an overall reduction of 7.7%

This model's projected FY 2013 cost of \$346.231 million would require an additional appropriation over FY 2012 of \$50.519 million. Even with this overall reduction, Model 4 would require additional appropriation of \$12.6 more than necessary to fund Model 2.

In recognition of the continuing fiscal challenges facing the State, the committee feels it is irresponsible to request an increase of nearly \$80 million to restore the full-time TAG award table to the historic one year/three year lag (model 3). The committee carefully considered Model 4, which would represent an increase of \$24 million over the proposed appropriation for FY12, had it come to fruition.

The committee believes that Model 2, a two- and four-year lag with an overall reduction of 7.7% is the most realistic recommendation. This model follows the same methodology employed last year prior to the adjustment necessary to remain within available resources.

Accordingly, the committee recommends that HESAA's Executive Director, Gabrielle Charette, request the funding required for the Full-Time TAG Program to achieve the following:

- Maintain the two-year lag in award values for students demonstrating the highest need (NJEIs below 1500) by increasing awards to reflect 2010-11 tuition levels, with a reduction of 7.7%.
- Maintain the four-year lag compared to tuition by providing proportionate increases based on 2008-09 tuition levels with a reduction of 7.7% for all other TAG recipients.
- Continue to provide awards to students attending a postsecondary proprietary institution currently participating in the TAG Program at the same level as the other non public institutions.
- Recognize a likely increase in the number of eligible recipients to include 500 additional new awards.

The projected cost to fund these award increases and provide for 500 additional new awards at these levels is \$333.654 million, an increase of \$37.942 million over FY 2012 resources.

Part-Time TAG Program for County College Students

The committee recommends \$10.359 million in funding for the Part-Time Tuition Aid Grant Program for County College Students. At this funding level, awards would be set following the same parameters as the full-time TAG table and anticipated program growth would be recognized. This represents an increase of \$748,619 over the FY 2012 appropriation.

NJ STARS Program/NJ STAR II Program

Committee members continue to express concern that students who are not required to demonstrate financial need may be receiving NJ STARS II awards that could cover the full cost of tuition, while TAG recipients who have demonstrated financial need are currently receiving awards based on a two- or four-year tuition lag with an additional 7.7% reduction. These TAG awards cover approximately 86% of the weighted average of current tuition rates-14% or \$1,238 less on average than more affluent NJ STARS II recipients at the same schools.

The committee recommends continued funding to support all students who meet the eligibility requirements of the NJ STARS and NJ STARS II Programs. However, the Board also recommends that changes to the NJ STARS II Program that were proposed in last year's Governor's Recommended Budget be adopted beginning in FY 2013. Eliminating the currently required institutional contribution would free additional funds for other campus-based initiatives and scholarship programs. The proposed changes expand the eligible four-year institutions to include the non public sector, thus providing greater flexibility to our students, and increasing the portability of the program across the State.

Adopting the proposed changes to the NJ STARS II program would represent a savings of approximately \$770,000 – funds that could be used to restore a freshman cohort in the Urban Scholars Program.

Coordinated Garden State Scholarship Program

Funding for freshman and sophomore awards through the Coordinated Garden State Scholarship Program was suspended for the 2011-2012 academic year. The upcoming academic year will represent the final graduating class of these scholars unless the program is restored.

The committee recognizes the importance of both the Distinguished and Urban Scholar Programs, but is especially concerned about the suspension of the Urban Scholar Program, since it serves students with demonstrated academic ability who reside in socioeconomically disadvantaged areas of the State. Historically, over 62% of these highly recruited students offered Urban Scholar awards accept these awards and attend New Jersey colleges and universities. The acceptance rate of the Urban Scholars award is among the highest in the nation for a merit-based program. In 2009-2010, the last year all four grade-levels were funded, approximately 2,200 students received Urban Scholar awards. Further, nearly 74% of these scholars who receive the scholarship in their freshman year continue in school through their full four years of scholarship eligibility. Without this award, many of these students may not have been able to attend college. Proposed changes to the NJ STARS II Program may provide ample savings that could be utilized to restore funding for incoming freshmen.

The committee is recommending \$2.215 million in funding to restore Urban Scholar awards for freshmen and to continue awards to rising seniors. At this funding level, annual awards would remain at \$930. This funding recommendation represents a net savings of \$1.1 million over last year's appropriation.

All Other HESAA Programs Funded through State Appropriations

The committee recommends funding the following programs as follows:

- **Survivor Tuition Benefits Program**

To fund the anticipated program participants, an FY 2013 appropriation of \$38,000 is recommended. This would maintain level-funding. It is also recommended that budgetary footnote language in the FY 2012 budget that prohibited survivors that were newly enrolled in college from receiving an award be removed for FY 2013.

- **Veterinary Medical Education Contract Program**

An FY 2013 appropriation of \$51,000 is recommended to meet obligations to rising seniors, a reduction of \$87,000 from FY 2012 and reflects the final year of the phasing out of the program.

- **World Trade Center Scholarship Program**

The Chair of the WTC Board, recognizing that the program is committed to funding students through 2024, requests that FY 2013 funding be restored to \$250,000, an increase of \$48,000 over FY 2012, and the committee endorses this request as part of its recommendations.

- **Primary Care Practitioner Loan Redemption Program**

The Board recommends continuation of level funding for this program which provides funding for both redemption of student loans for practitioners in medically underserved areas across the State as well as funding for the Nursing Faculty Loan Redemption Program which is one mechanism for addressing the State's current critical shortage of nurses and nursing faculty.

A motion to approve Resolution 19:11 was made by Ms. Wilma Harris and seconded by Ms. Maria Torres.

Discussion ensued wherein Liscet Duran asked for an explanation as to what changes were being recommended for NJSTARS II. Harvey Kesselman explained that the changes would eliminate the institution contribution to the award while the State would continue to provide \$2500 per award. He explained that the scholarship would be portable, allowing the student to use it at any four year institution in New Jersey. He further explained that the four year institutions would still be able to provide scholarship money to transfer students but would be able to do so at their discretion, allowing a need based component to be considered. Jon Larson stated that he believes a bill will be introduced shortly instituting these changes for NJSTARS II.

Maria Torres made a motion that HESAA prepare a study on the graduation rate of NJSTARS and NJSTARS II students, including information on how many semesters they take to graduate, and whether they graduate as NJSTARS II students. Harvey Kesselman suggested that the report be prepared in the same format HESAA used to prepare OSRP reports.

Christy Van Horn discussed the importance of returning funding to the Urban Scholars program, explaining that the 62% award acceptance rate, and 74% graduation rate of Urban scholars prove that this is a successful program. She further stated how this program has a generational effect on this socio-economic group.

Father Braden thanked the budget committee and HESAA staff for all of their hard work.

The motion to approve Resolution 19:11 was passed unanimously.

The motion for HESAA to prepare a report on the graduation rate of NJSTARS and NJSTARS II students was made by Maria Torres, seconded by Harvey Kesselman and passed unanimously.

RESOLUTION 20:11 APPROVING VENDORS TO PROVIDE EMPLOYMENT SERVICES

Marnie Grodman reported on Resolution 20:11.

HESAA utilizes temporary employees to fill any voids not filled with full time employees. HESAA uses State contracts for temp agencies. To meet HESAA's specialized needs, HESAA issued an RFP on September 14th for employment agencies. vendors were asked to provide proposals for awards on two separate contracts, one for administrative office/clerical needs and the other for information technology needs.

HESAA received 12 proposals, 10 of which were deemed to be responsive. An evaluation committee made up of representatives from HESAA's Human Resources, Legal and Governmental Affairs, Information Services and Finance units reviewed each of the proposal received.

The firms received a qualitative score based on the following selection criteria:

1. Experience;
2. Ability of vendor to provide needed personnel;
3. Ability of vendor to provide needed personnel in a timely manner;
4. The vendor's references and or past experiences; and
5. Additional fees for conversion to fulltime employment and background checks.

The firms were then ranked from highest to lowest score. The firms were also ranked from lowest to highest price for each job title. The qualitative rankings were weighted at 65% and the price rankings were weighted at 35%. The weighted ranks were totaled and the award recommendations for each job title went to the firms with the highest combined ranking.

Attached to the resolution as Attachment 1, is the recommended primary, secondary and tertiary award for each job title for administrative, office/clerical positions and for IT positions.

Additionally, HESAA requested that each firm provide a pass-through rate in which HESAA finds the qualified employees the Authority wishes to retain for temporary work. The firm then hires those employees and provides them to HESAA for temporary employment. HESAA would set the hourly rate for these employees and pay the firm a set percentage above that rate.

Based on the proposals the evaluation committee recommends that the pass-through award for administrative, office/clerical positions be made to J&J staffing and for IT positions to Software Galleria.

A motion to approve Resolution 20:11 was made by Fr. Braden and seconded by Ms. Jean McDonald Rash.

Ms. Harris questioned if any of the agencies were MWBE vendor. Ms. Grodman responded some were but she was unsure of which ones. she will review the proposals to see if the firms that received awards were MWBE vendors.

Christy Van Horn questioned whether the need for temporary employees was seasonal. Dr. Kesselman responded that many of these temporary positions are not seasonal but are to replace lines that have not been filled. HESAA has lost a lot of lines, which have been frozen for long period of time.

Ms. Torres questioned how many vacancies HESAA currently has, to which Ms. Charette responded that there are currently 35 vacancies.

Mr. Garcia stated that Ms. Charette has work very diligently with the Governor's Office to fill those spots. Ms. Charette added that while we are filling some critical vacancies, for the foreseeable future HESAA is going to need to supplement its workforce.

Dr. Kesselman responded the economy has created even more work for this entity given that more students are applying for and eligible for aid.

The motion was passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Gabrielle Charette gave the following report:

Since this Board's last regularly convened meeting there have been a number of exciting developments and accomplishments here at HESAA. Last month HESAA commenced accepting online payments through our website for our NJ CLASS loan borrowers. Before NJ CLASS borrowers had to make their payments via check or credit card. There are a number of features that make this new system attractive. Just to name a few, there is no fee for making payments on line, customers can schedule their payments up to 20 days into the future, customers can avoid late payments by making payments on the due date and can receive an email confirmation of the payment for their records. Interest in this new feature has exceeded our initial expectation. To date, we have had 4,629 customers take advantage of this new tool. Credit card payments have dropped 68.6% since the implementation of the on-line bill payment.

Speaking of NJ CLASS, these supplemental loans have once again proven themselves a necessary resource for New Jersey students. In fact due to the high demand and low interest rate environment, earlier this month this Board approved a supplemental bond indenture. Market conditions are changing rapidly, making this a very dynamic process. During the old business section of today's agenda, HESAA CFO Gene Hutchins will update you on the status of the potential bond sale.

On a different but related note, student loans in general have recently received a lot of media attention because of the amount of student loan debt outstanding nationwide, the Occupy Wall Street demands for loan forgiveness and the grim economic forecasts. You should know that we at HESAA are very cognizant of national trends. Staff and I have had numerous conversations about ways we can make sure that our default rates do not escalate and ways we can insure that our interest rates are as low as possible to reduce the

overall cost of education. Ultimately, our loans must perform well so that there are resources available for future generations of students.

In addition to providing the financial resources necessary to finance a higher education, an equally important part of HESAA's mission is to provide training, outreach and education to students, financial aid professionals and high school guidance counselors. HESAA is much more than just a bank. This Fall HESAA will be fulfilling our outreach and education mission on all fronts.

Currently we are hosting the Secondary School Counselor Training Institute at eight locations throughout New Jersey. It is very important that high school guidance counselors have working knowledge about financial aid so that they can appropriately advise high school juniors and seniors on how to embark on securing the necessary funds to commence a baccalaureate or associate's degree. The training is free of charge and participating counselors receive four professional development credit hours for attending the Training Institute. I personally attended the session at Rider University on October 20th and learned a great deal. So far, over 900 high school guidance counselors have registered to participate. I would like to thank the Secretary of Higher Education Hendricks and the Education Commissioner Cerf for their support of this important initiative and HESAA staff member Amy Novosel for working tirelessly to make sure the Training Institute is a success.

In other outreach activities, HESAA Board member Jean Rash, HESAA staff members Andre Maglione, Heather Hillman and I participated in two very successful financial aid awareness nights sponsored by New Jersey Congressman Rush Holt for his constituents. I would like to thank Board member Christy Van Horn for making the introduction for HESAA to the Congressman's office.

On Monday HESAA staff member Samantha Benson and I conducted a financial literacy workshop for students participating in the Association of Independent Colleges' Student Leadership Day in Trenton.

Finally, next month, I along with several members of the HESAA team will be attending and speaking at the New Jersey Association of Student Financial Aid Administrators annual conference in Atlantic City. This conference attracts financial aid professionals from across the state.

HESAA continues to play a role at the national level and continues to monitor federal initiatives. Mapping Your Future, Inc. is a non-profit organization based in Texas but offering services nationwide to assist students and families with career and financial decisions. HESAA's CFO Gene Hutchins was recently appointed to this organization's Board of Directors. Involvement in organizations like Mapping Your Future keeps HESAA at the forefront of all matters related to financial aid. Speaking of financial aid, while the State's commitment is extremely important, as we saw from the discussion concerning the TAG awards and the FY 13 budget recommendation, we recognize that the role the federal government plays is also essential. Therefore, I would like to give you a brief update on some of the recent federal actions. The House Appropriations Committee released the draft fiscal year 2012 Labor, Health and Human Services funding bill. The draft legislation would maintain the maximum Pell Grant award at \$5,550 but would make a number of changes to the Pell program to reduce costs by \$3.6 billion including reducing the lifetime eligibility to 6 years down from 9 years for all Pell recipients, revoking Pell eligibility for students who attend school less than half-time, and

reinstating into the needs analysis, forms of untaxed income that have been excluded for the last several years. As you know, the Pell program is a major component of financial aid. The value of Pell grants in New Jersey alone grew from \$112 million to \$631 million from 2005 through 2010 according to Census Bureau data.

At our last Board meeting, I informed you that the U.S. Department of Education had issued a request for non binding preliminary proposals for state guaranty agencies or groups of state guaranty agencies to enter into voluntary flexible agreements with the Department to provide certain services on behalf of the federal government to federal loan borrowers under the FFELP program such as financial literacy, collections, default aversion activities and school training. While FFELP loans are no longer being originated the existing portfolio still needs to be serviced. New Jersey joined with a consortium of states and submitted a joint proposal. The Department has yet to officially respond to the proposals in writing, however, a number of senior staff members from the USDE hosted a conference call for those agencies that had submitted proposals. The initial response from the Department during that call was not particularly positive. However, we will have to see what specific written comments are given and to determine if this is something we still wish to pursue. Fortunately the proposal was just that, a proposal, and in no way binding on the Authority. Also, since HESAA was not alone in its reaction to the Department's initial comments, the Department may be persuaded to moderate its stance.

Back on the home front, when I assumed the position of Executive Director, HESAA had a number of vacancies that had been unfilled for some time. I spent a considerable amount of time identifying those vacancies that are mission critical and a priority to backfill. I am very pleased and proud to report that we have secured permission to post for these positions and begin the search and interview process. A heartfelt thank you goes to David Reiner Assistant Counsel in the Authorities Unit for his support during this process. As you all know, these are extremely difficult fiscal times and there has been a statewide hiring freeze. I think this speaks volumes about the Christie Administration's commitment to higher education and the Administration's recognition of the important work HESAA does. There is one mission critical position that we will not be posting for because we already have the perfect candidate. Marnie Grodman has been acting legal director for over a year and I am pleased to announce that she is my choice for this position on a permanent basis. As an attorney I respect Marnie's legal acumen and value her counsel.

As you know the Governor has nominated a number of individuals to the HESAA board while they still need to go through the Senatorial Advice and Consent process, I would like to welcome Anthony Falcone to today's meeting and thank him for his early interest.

Finally, HESAA launched its new and improved website. I encourage you to go to www.hesaa.org and see all the additional information and resources now available to students, families and financial aid professionals.

OLD BUSINESS

Gene Hutchins reported on the bond issuance approved by the Board at its October 7, 2011 Special Meeting. He explained that in the 10 days which followed the October 7th Board Meeting HESAA received increasingly bad news from the Rating Agencies.

While Moody's and Fitch had previously indicated they could look at this bond transaction as an "add on" to the very recent prior HESAA financing, each indicated they would now have to revisit all data and craft new stress case cash flow assumptions. As an "add on" financing, the discussion was to use the prior stress case cash flow assumptions.

The economy has not improved and stress on recent graduates remains very high. Other student loan programs (external to HESAA) have reflected this with worse performance – higher delinquencies and defaults. HESAA's NJCLASS program is still relatively strong, but not immune to these economic conditions.

In light of these factors, each rating agency provided assumptions that were more stressful. The increase in stresses was most pronounced in the lower FICO credit loans and fully deferred in school (Option 3) loans, both of which have shown worsening performance from that which was already below that of other NJCLASS loans. In addition, tax-exempt interest rates have been rising. While still very low, they have risen about 35 basis points (.35%) since this financing began. The combination of the higher interest rates and more stressful cash flow assumptions results in a transaction that would require significantly more precious equity than HESAA could or would like to pledge to this financing. The original structure called for no equity injections, with HESAA paying all Cost of Issuance from funds outside the trust.

Over the last 10 days, HESAA, Bank of America Merrill Lynch and First Southwest have been working with the rating agencies to clarify and further understand why their assumptions changed so dramatically. The HESAA financing team is planning multiple meetings, as necessary, over the next couple months to craft a plan which will ensure the NJCLASS loan program can be financed under the current capital market and rating agency environment. This plan may include changes to the loan program and or further limits on different loan types or subsets. It could also entail changes to the financing methodology. What worked last May is not working currently and we will have to continue to negotiate with the rating agencies and look at our own program parameters to figure out a way to continue the financing for this critical program.

Christy Van Horn asked how much time HESAA has and Dr. Kesselman asked what this means to the students.

Mr. Hutchins explained that with the amount of money on hand HESAA will probably get most of the way through the month of January or February depending on the spring only loan volume. He explained that this would only effect new students and that continuing students' funds are already committed.

Wilma Harris asked what options HESAA had. Mr. Hutchins stated that there are no other options right now. He explained that the repayment Option 3 has become increasingly negative over the last 3 or 4 years. The ratings agencies look at those loans as very high risk and assign very high stress case default assumptions. This means they will assume 35% to 40% of those loans will default. With these loans the family is not paying anything towards the loan during the in school period, interest continues to accrue and is capitalized annually and they are paying interest on interest so at the time the family graduates after four years the loan amount will be 20% to 25% higher than it was when they actually borrowed to begin with. This shocks many of these families, although they receive statements periodically from the time that they originally borrow.

Ms. Duran asked if it would help with the risk factor if HESAA only made Option 1 and 2 loans. Mr. Hutchins explained that for this bond issue that had been the plan but even those loans are being given higher risk assumptions.

Mr. Hutchins assured the Board that the working group, including Joe Santora and Steven Kantor is continuing to meet and look at these parameters to see what can be done to bring bond issues to market.

Mr. Hutchins stated that HESAA wants to help families but has to ensure that HESAA is not providing a loan program that ultimately they cannot afford.

NEW BUSINESS

Chair Garcia reminded all Board members to complete their on-line ethics training by November 14th and send their receipts to Roseann Sorrentino or Marnie Grodman.

ADJOURNMENT

Chair Garcia announced that the next Board meeting is scheduled for Tuesday, January 24, 2012. 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 Dr. Harvey Kesselman and seconded by Ms. Wilma Harris.

The motion to adjourn passed unanimously. The meeting adjourned at 11:12 am.

RESOLUTION 17:11

Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2011

Moved by: M. Wilma Harris
Seconded by: Rossy M. Matos

WHEREAS: The Higher Education Student Assistance Authority (HESAA) prepared three separate financial statements for Fiscal Year 2011 ("2011 Financial Statements") which were audited by the independent auditor Clifton Gunderson LLP.; and

WHEREAS: The members of the Board Audit Committee met with Clifton Gunderson LLP on July 21, 2011, prior to the commencement of the audit; and

WHEREAS: The members of the Board Audit Committee have received and reviewed the Financial Statements and the unqualified reports of Clifton Gunderson LLP dated for the year ending June 30, 2011; and

WHEREAS: The members of the Board Audit Committee met with representatives of Clifton Gunderson LLP on October 17, 2011 to discuss the 2011 Financial Statements and Clifton Gunderson's unqualified reports; and

WHEREAS: The members of the Board Audit Committee recommend that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2011.

NOW THEREFORE, BE IT:

RESOLVED: That the HESAA Board accepts and adopts the Fiscal Year 2011 Financial Statements and Independent Auditor's Reports as attached hereto; and be it further

RESOLVED: That the attached Fiscal Year 2011 Financial Statements and Independent Auditor's Reports shall be posted on HESAA's website at www.HESAA.org, and submitted to the State Treasurer and Governor's Authorities Unit.

October 26, 2011

RESOLUTION 18:11**ADOPTING A REVISED FULL-TIME TUITION AID GRANT (TAG) AWARD TABLE FOR THE SPRING 2012 SEMESTER**

Moved by: Dr. Harvey Kesselman
 Seconded by: Fr. Michael Braden

WHEREAS: N.J.S.A. 18A:71B-21 (P.L. 1999, Chapter 46) authorizes the Higher Education Student Assistance Authority (HESAA) to establish a table of full-time award values for Tuition Aid Grants (TAG) based on financial need for the grant, tuition levels, projected number of eligible students, and available funding; and

WHEREAS: At its July 21, 2011 meeting, preliminary FY 2012 projections required the HESAA Board to adopt a full-time TAG table imposing a 26.5% cut on awards for students in NJEI cells three and beyond at non-public institutions; and

WHEREAS: HESAA staff has updated year end projections by comparing the number of awards on the October 2010 rosters to awards at the end of FY 2011 and applying the same percentage decrease in total awards to the award levels on the October 2011 rosters; and

WHEREAS: The revised FY 2012 year end expenditure projection is \$291.6 million, which is \$4.1 million less than FY 2012 available resources; and

WHEREAS: This revised projection provides adequate funds to restore spring only TAG awards for students in NJEI cells three and beyond at non-public institutions, with any variances requiring minimal contingency fund support.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Revised Full-Time Tuition Aid Grant (TAG) Award Table for the Spring 2012 Semester; and be it further

RESOLVED: That the attached Revised Full-Time Tuition Aid Grant (TAG) Award Table for the Spring 2012 Semester pertains to New Jersey institutions (and their programs of study) that are licensed and approved for participation in the State grant program as of September 1, 2009; and be it further

RESOLVED: That the Higher Education Student Assistance Authority wishes to thank and commend Governor Christie and the Legislature for their commitment to higher education access and affordability for all New Jersey citizens.

October 26, 2011

RESOLUTION 19:11

**ADOPTING A BOARD BUDGET POLICY STATEMENT FOR
STATE FISCAL YEAR 2013**

Moved by: Ms. Wilma Harris
Seconded by: Ms. Maria Torres

WHEREAS: The Higher Education Student Assistance Authority (HESAA) Board is responsible for recommending budget policies in support of New Jersey's student financial aid programs; and

WHEREAS: On October 3, 2011 the Board's budget committee met with staff to review background information and to draft a FY 2013 budget policy statement for consideration by the full Board; and

NOW THEREFORE, LET IT BE:

RESOLVED: That the HESAA Board strongly affirms the importance of preserving education access and affordability for all residents of the State of New Jersey and recognizing academic achievement; and be it further

RESOLVED: That the Board hereby adopts the budget policy statement for FY 2013 as advanced by the budget committee and described in the attachment to this resolution; and be it further

RESOLVED: That HESAA shall endeavor to maximize FY 2013 resources available for State-funded student assistance programs in keeping with the attached budget policy statement, subject to refinement of underlying projections.

October 26, 2011

RESOLUTION 20:11

APPOINTING VENDORS TO PROVIDE EMPLOYMENT SERVICES

Moved by: Fr. Michael Braden
Seconded by: Ms. Jean McDonald Rash

WHEREAS: On September 14, 2011 the Higher Education Student Assistance Authority (HESAA) issued a “Request for Proposals for Temporary Employment Services: Administrative, Office/Clerical and Information Technology (IT)” (RFP); and

WHEREAS: HESAA received five responsive proposals from vendors to provide Administrative, Office/Clerical support and 7 responsive proposals from vendors to provide IT support; and

WHEREAS: An evaluation committee made up of representatives from HESAA’s Human Resources, Legal and Governmental Affairs, Information Services and Finance units met and reviewed each of the proposals; and

WHEREAS: The evaluation committee ranked the firms based on both a qualitative score and their price proposals and determined the highest ranking firms for each position.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board appoints vendors to provide employment services, on an hourly basis as listed on Attachment 1; and be it further

RESOLVED: That the Board appoints J&J Staffing Resources to provide employment services on a pass-through basis for administrative, office/clerical staffing; and be it further

RESOLVED: That the Board appoints Software Galleria, Dba CDC Global Services to provide employment services on a pass-through basis for IT staffing.

October 26, 2011