

## MINUTES

### HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

February 16, 2005

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on February 16, 2004 at 10 am, at HESAA offices in Hamilton.

PRESENT: Michael Angulo, Esq.; Mr. James Avery; Dr. Phyllis Della Vecchia; Dr. Harold Deutschman (participated by conference call); Ms. Erin Ferris; Mr. Keith Green; Ms. M. Wilma Harris; Dr. Harvey Kesselman; Ms. Caroline Ehrlich, Treasurer's Designee; Dr. William Rogers (participated by conference call); Christian Samay, Esq.; Mr. Joseph Smith; Warren E. Smith, Esq.; and Ms. Maria I. Torres, members.

HESAA Staff.

ABSENT: Ms. Rossy Matos; Ms. Jean McDonald Rash; and Mr. Frank Mertz.

#### CALL TO ORDER

Chairman Smith called the meeting to order at 10:06 a.m. and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Chairman Smith welcomed the Board members. He advised members of the public who wished to speak to register with Ms. Powell.

Chairman Smith welcomed Ms. Pratt from the Governor's Authorities Unit, Ms. Gadsden from the Secretary of State office and, Sarah Darrow, the Deputy Attorney General.

Mr. Smith asked Ms. Powell to call the roll.

#### MINUTES:

A motion to approve the minutes of the October 20, 2004 meeting was made by Ms Wilma Harris and seconded by Mr. James Avery. The minutes were approved unanimously.

A motion to approve the minutes of the January 4, 2005 meeting was made by Mr. Keith Green and seconded by Christian Samay, Esq. The minutes were approved unanimously.

#### **RESOLUTION 03:05- ADOPTING AMENDMENTS TO ARTICLE V, PARAGRAPH 5.1, SUBPARAGRAPH b., SUBSECTION 3. OF THE BYLAWS, AUDIT COMMITTEE, TO COMPLY WITH THE REQUIREMENTS OF EXECUTIVE ORDER 122**

Ms. Sudha Kantor presented this item to the Board. She began by providing an overview of Executive Order 122, which provides background for Resolutions 03:05 and 04:05.

Ms. Kantor explained that the purpose of Executive Order 122 concerns the independent auditing of state authorities that administer public funds. The purpose of the independent auditor is to assist the HESAA Board with setting appropriate audit policies to ensure that the

financial information and statements prepared by the Authority are appropriate, proper and meet all of the rules, regulations and requirements of the law, and that audits of statements are conducted in accordance with generally accepted auditing standards. The audits also ensure that management maintains effective financial internal controls so that public funds administered by the Authority are adequately safeguarded, and that the financial statements of HESAA are accurate and free from material misstatements. The independent auditor will be responsible for issuing an opinion that attests to the fairness of the financial statements. The independent auditor will also evaluate the effectiveness of HESAA's financial internal controls, policies and procedures.

Ms. Kantor stated that another important role of the independent auditor is the issuance of management letters. These management letters will provide comments and recommendations which, when implemented, will address any internal control weaknesses and improve the operation of HESAA's financial internal control systems.

Ms. Kantor continued by stating that Executive Order 122 requires the formation of an audit committee to ensure the existence of an effective financial reporting system and an audit process that enables the audit committee to oversee not only the Authority's financial statements but the independent auditor as well. The Audit Committee will actively oversee the quality and integrity of HESAA's financial reports and will report any audit findings and recommendations to the full Board for appropriate corrective actions by the Authority staff, if and when necessary.

Ms. Kantor read the definition of Audit as defined in Executive Order 122:

*“audit” shall mean as an examination of the financial statements of each authority by a certified public accounting firm in compliance with a generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States, as may be periodically revised and in accordance with applicable federal rules, regulations and circulars.*

Ms. Kantor went on to explain how HESAA would implement Executive Order 122. The Board of each Authority is required to create an audit committee of no less than three members and at least two of which are members of the Board. No non-public member of the Authority's Board can be a member of the Audit Committee. This is to ensure that there is complete independence of oversight by the Audit Committee over the Authority's audit process. The Board will also create an ad hoc Evaluation Committee for the selection of an audit firm. The Evaluation Committee will be responsible for conducting the solicitation and evaluation of eligible independent auditors. They will draft a Request For Proposal (RFP) which will be sent out to eligible audit firms, evaluate responses from the various auditing firms and provide a final written report to the Audit Committee recommending the appointment of the Authority's auditor. The Evaluation Committee may utilize the expertise of the Division of Purchase and Property in drafting the RFP, soliciting the responses and evaluating the proposals. The Evaluation Committee may also request the assistance of Authority staff with regard to the RFP design.

Ms. Kantor explained that even before the Evaluation Committee starts the RFP process, the Audit Committee is responsible for setting forth the criteria for hiring an independent auditor. Therefore, the Audit and Evaluation Committees will work in tandem to discuss the criteria, the parameters, and the weighting of the various criteria.

Ms. Kantor advised that the Executive Order also delineates what it means to be an independent member of the Audit Committee. The Executive Order requires that each member

have no financial relationship with the Authority nor may the member be a partner, shareholder or officer of an organization that has a financial relationship with the Authority. This restriction extends to the member's family and relatives. Additionally, neither the member nor any of the member's relatives can be a current employee of the Authority and neither the member nor the member's relative can be currently employed by or in the last three years have been affiliated with or employed by a present or former auditor of the Authority. This restriction also applies to the receipt of any compensation by the member or the member's firm or the member's relatives, or the member's relative's firm for consulting, legal or financial services.

Ms. Kantor further advised that the independent auditor selected reports directly to the Audit Committee or to the Board. In order to ensure its independence, at no time will the auditor report to any staff member of the Authority. The Audit Committee also has the responsibility to meet with the auditor twice each year, once at the commencement of the auditing process and then after the auditor has prepared the management report. There can be additional meetings requested by any member of the Audit Committee or the Board.

Ms. Kantor explained that Resolution 03:05 seeks an amendment to the Bylaws. Article 10 of the Board Bylaws permits amendments to the Bylaws by the affirmative vote of a majority of all members then in office at its regular meeting. Resolution 03:05 adopts an amendment to the Board Bylaws in Article 5, Paragraph 5.1, Subparagraph b., Subsection 3, which reconstitutes the Audit Committee to be in compliance with Executive Order 122. At the October 2004 Board meeting, the Board adopted a resolution endorsing Executive Order 122.

In furtherance of that resolution, Ms. Kantor recommended the amendment to the Bylaws, which she read for the record.

*Audit Committee. The Audit Committee shall fulfill the functions, duties and responsibilities specified in Executive Order 122. The Audit Committee shall consist of the Chairperson, Vice-Chairperson, and a third public member of the Executive Committee of the Authority provided that the members meet the qualifications set forth in Executive Order 122. At least one member of the Audit Committee shall have accounting or related financial expertise. Should any of the Executive Committee members be unable to serve, a public member of the Board may serve on the Audit Committee provided that such public member meets the qualifications set forth in Executive Order 122. The purpose of the Audit Committee shall be to perform the functions, duties and responsibilities specified for the same in Executive Order 122.*

Chairman Smith in opening discussion of the resolution stated that the Audit Committee consists of himself, Keith Green and Maria Torres. He noted that Executive Order 122 requires that there be a member of that committee with an accounting background.

Michael Angulo stated that Keith Green was eligible to serve.

Ms. Ehrlich advised that Treasury has been loaning out a member of its staff with the requisite financial expertise to assist Boards.

Chairman Smith responded that this would be helpful at least in the very beginning as the Board tries to follow Executive Order 122.

Dr. Kesselman asked if there is a full time internal auditor at the Authority.

Ms. Andrea responded that Mr. Kenneth Jones is the Authority's Director of Audits and Quality Assurance.

Mr. Green added that Mr. Jones has worked with the prior Audit Committee to provide the reports under the old structure. Mr. Green also pointed out that under the new Audit Committee criteria, he meets the qualification as the member who has an accounting degree.

Dr. Kesselman asked to whom would the internal auditor report.

Ms. Kantor replied that the internal auditor would report to the Program Review and Quality Control Committee and explained that the audits that are currently done in that unit are program audits. They are not the financial audits envisioned by this Audit Committee.

Dr. Della Vecchia noted that Executive Order 122 emphasizes fiscal matters whereas HESAA's prior audit committee seemed to emphasize programmatic audits and asked what would happen to programmatic audits now that Executive Order 122 is being implemented.

Ms. Kantor responded that issue would be addressed in Resolution 04:05.

Ms. Ehrlich advised that it is up to each agency to decide how they will handle the implementation of Executive Order 122. Some agencies have included both the financial and the programmatic areas under the Audit Committee. She inquired about HESAA's internal controls and about the existence of internal financial internal control.

Mr. Jones, HESAA's Director of Audits and Quality Assurance, responded that his responsibilities include conducting internal and external audits and reviews of HESAA's lenders, schools and institutions, and special counsels. The reviews also encompass the financial aspects of HESAA.

Mr. Jones added that his unit conducts internal program reviews, looking at internal controls and dealing with financial aspects in specific program areas.

Ms. Ehrlich stated that Treasury has an excellent internal control guideline for use by all the departments in the State and offered to provide a copy. Mr. Jones responded that HESAA performs the annual internal control assessment that Treasury recommends and HESAA's Executive Director signs the letter to the OMB.

The Authority's financial statements are currently audited by the Office of Legislative Services and an independent auditor, Mercadien.

Dr. Della Vecchia asked for a definition of a public member as the Executive Order makes specific mention of this term.

Ms. Kantor responded that a public member is one who is not on the Board to serve in the capacity of a representative of an educational institution/higher education institution or otherwise designated by the Authority's statute. She added that the statute for the Board lays out who should be represented on the Board. Therefore, if someone is a member of the groups that are required to be represented on the Board, then that person is not considered a public member. On the other hand, a public member is any member who is not a member of an institution or a group that is required to be represented on this Board. Public members can work for a bank, an accounting firm or may be students or lawyers.

Dr. Kesselman identified as public members of the Board: Warren Smith, Wilma Harris, Maria Torres, Keith Green, Rossy Matos and Christian Samay.

Dr. Della Vecchia stated that all of the colleges have a financial relationship with HESAA since they receive funds for students through the Authority and she asked whether this fiscal relationship would preclude many of the Board members from serving on any of these committees.

Ms. Sarah Darrow responded that the Authority has asked the Division of Law for guidance on this issue as to who has the requisite independence to serve on the committees. She stated that representatives of colleges among the Board may be considered to have the financial relationship and would, therefore, be precluded from serving on the Audit Committee or the Evaluation Committee.

Ms. Darrow stated that the other concern that the HESAA statute raises is that it refers to seven public members who shall be residents of this State including one representing a lender party to a participation agreement with the Authority. It is the view of the Division of Law that that lender representative also has a financial relationship because of its lender participation agreement for the federal student loan program. Executive Order 122 was issued for all of the state authorities and it was not focused on this particular statute. She added that the board composition provides for representation from various constituencies that do have a financial relationship with the agency.

Ms. Kantor explained in her presentation that Executive Order 122 defines "independence" of members of the Audit Committee as follows:

1. The member has no financial relationship with the Authority, nor is the member a partner, shareholder or officer of an organization that has a financial relationship with the Authority.
2. Neither the member nor any of the member's relatives is an employee of the Authority.
3. Neither the member nor any of the member's relatives is currently employed by, or has in the past three years been employed by or affiliated with, a present or former auditor of the Authority.
4. Neither the member nor any of the member's relatives receives or has received, in any of the past three years, direct or indirect compensation from the Authority for consulting, legal or financial services, regardless of the amount received and regardless of whether it is or was paid to the member or to the firm with which the member or any of the member's relatives was associated.
5. The member is in compliance with all standards regarding independence of auditors as may appear in GAGAS or may be established by the United States General Accounting Office.

A motion to approve this resolution was made by Ms. Wilma Harris and seconded by Dr. Harvey Kesselman.

The resolution was approved unanimously by a roll call vote.

**RESOLUTION 04:05 ADOPTING AN AMENDMENT TO THE HESAA BOARD BYLAWS AT ARTICLE V, PARAGRAPH 5.1, SUBPARAGRAPH B., STANDING COMMITTEES, TO CONSTITUTE A FOURTH STANDING COMMITTEE, THE PROGRAM REVIEW AND QUALITY CONTROL COMMITTEE**

Ms. Sudha Kantor presented this item to the Board.

Ms. Kantor stated that since the Board has approved the reconstitution of the Audit Committee under Executive Order 122, it was time to examine the additional steps that must be taken to ensure that the results of program-related audits continue to be reviewed by the Board. She advised that the previous Audit Committee consisted of the Chair, the Vice Chair and a third public member as well as the Executive Director, who is a non-voting member of that committee and was charged with overseeing program audits and plans for program audits and reviews. This committee also reviewed the actual program audits and actual program reviews that were conducted by the Authority as well as the program audit results. In its oversight role, the committee oversaw the Authority's system of internal controls related to program audits to ensure that the auditing being done is appropriate, proper, and utilizing the best practices. In addition, the Bylaws provided for the Authority's Director of Audits and Quality Assurance, who has a dotted line reporting relationship to the Board, to report the audit results directly to the committee.

Ms. Kantor stated that the Authority recommends that in order to continue the function of the program audits and the program audit internal control, that a fourth standing committee be constituted called the Program Review and Quality Control Committee. This committee will maintain the program audit function and oversight that is currently being done and was being done by the old (pre-Executive Order 122) Audit Committee. The formation of this committee requires modification of the Bylaws at Article V, Paragraph 5.1, Subparagraph b, to add a Standing Committee that will become standing committee #4, called the Program Review and Quality Control Committee (PRQCC). The PRQCC shall consist of the Chairperson, Vice Chairperson, and a public member of the Executive Committee of the Authority as well as the Executive Director of the Authority, who shall be a non-voting member of the Committee. Ms. Kantor read the amended Bylaw and explained that the language was basically crafted from the existing Bylaws language.

*The purpose of the Program Review and Quality Control Committee shall be to review plans for program audits and reviews, to review program audits and reviews, to review program audit results, to oversee the Authority's system of internal control of program audits. The Authority's Director of Audits and Quality Control shall report program audit results and reviews directly to the Program Review and Quality Control Committee.*

A motion to approve the resolution was made by Wilma Harris and seconded by Erin Ferris.

The resolution was approved unanimously by a roll call vote.

**APPOINTMENT OF MEMBERS TO AD HOC EVALUATION COMMITTEE PURSUANT TO EXECUTIVE ORDER 122**

Chairman Smith announced the names of several Board members who have agreed to serve on several of these committees. He thanked the Board members who agreed to serve on the Evaluation Committee: Rossy Matos, Bill Rogers, Wilma Harris, Christian Samay and James Avery. He informed them that they would receive a questionnaire that should be filled out and

returned to the Authority by March 9, 2005. He would receive a set of the completed questionnaires and the Authority would retain a set.

Chairman Smith concluded by stating that the Program Review and Quality Control Committee would be made up of the same Board members as the Audit Committee, the Chair, the Vice Chair, and a third public member of the Executive Committee, Keith Green.

Chairman Smith asked if all the members had a copy of Executive Order 122.

The response was that a copy of the Executive Order was received at the October 20<sup>th</sup> meeting.

## **REPORT OF THE (FORMER) AUDIT COMMITTEE**

Ms. Maria Torres presented this item to the Board

Ms. Torres reported that the Audit Committee (pre-Executive Order 122) met on Wednesday, January 19, 2005 at 10:00 a.m. at HESAA's Quakerbridge Plaza office. The HESAA Board's Audit Committee members in attendance were Warren Smith, Maria Torres and Keith Green. HESAA staff members present were Michael Angulo, Fran Andrea, Gene Hutchins, Sudha Tiwari Kantor, Esq., and Kenneth Jones. The purpose of the meeting was to:

1. Review the status of open program compliance reviews and HESAA management reviews conducted by HESAA in CY 2003 and CY 2004,
2. Review and approve HESAA's 2005 Review Schedule,
3. Discuss common review findings identified by HESAA and the required corrective actions to be taken by the auditees,
4. Review external audits received by the authority, and
5. Discuss the impact of Executive Order 122 requiring all State Public Authorities to create an Audit Committee with defined membership, duties and responsibilities.

Ms. Torres advised that Mr. Jones, HESAA's Director of Audits & Quality Assurance, provided the committee with an overview of HESAA's review programs to ensure compliance with federal and State guidelines. These include conducting Federal Family Education Loan (FFEL) Program Lender Reviews, State Grant & Scholarship Institutional Management Reviews and Special Counsel Reviews.

Ms. Torres advised that CFO Gene Hutchins reported that the Authority's external auditor, Mercadien, P.C. issued a clean audit report regarding the Authority's financial statements for the New Jersey College Loans to Assist State Students (NJCLASS) and the Federal Family Education Loan (FFEL) programs as of June 30, 2004, and for the related statements of revenues, expenses, and changes in the net assets and cash flows for the year then ended. HESAA currently has over \$1 billion in net assets in these programs. There were no issues of internal control weaknesses or non-compliance reported by the auditor.

In addition, Ms. Torres noted that CFO Gene Hutchins and COO Fran Andrea reported that on March 3, 2004, the USDE Office of the Inspector General issued an audit report on HESAA's monitoring of law firms providing collection services. Findings included the need for training collection counsel on regulatory requirements and for additional monitoring of attorney compliance by HESAA. HESAA currently holds annual attorney meetings, has issued a policy and procedures manual and conducts periodic on-site visits and reviews. In addition, HESAA

no longer utilizes the services of two Special Counsel. Accounts assigned to these Special Counsel were reassigned to other participating law firms.

At the Audit Committee meeting, Executive Director Michael Angulo discussed the State Auditor's draft audit report of the Authority's administrative expenditures for the period July 1, 2002 to September 30, 2004. Mr. Angulo informed the Audit Committee that there were no major findings and the Authority's transactions were found to be reasonable. The report identified a few compliance and internal control weaknesses that were, or are, being addressed.

At the Audit Committee meeting, Ms. Torres advised, Sudha Tiwari Kantor, Esq. provided an overview of Executive Order 122 (EO 122) and its applicability to HESAA. The executive order requires the HESAA Board to establish an Evaluation Committee and an Audit Committee. The Evaluation Committee will be responsible for developing an RFP for audit services to report to the Audit Committee. The Audit Committee will have the initial responsibility of recommending an independent auditor to examine the financial statements of the Authority.

Ms. Torres concluded by stating that the Audit Committee reviewed and approved HESAA's 2005 Review Schedule, which was being presented to the Authority's Board.

Copies of the report were handed out at the meeting.

Dr. Kesselman asked for an explanation of the finding regarding the law firms mentioned in the Audit Report.

Chairman Smith responded that there are several special counsel firms that do collection work for the Authority. When the audits were conducted, there was a determination that there were practices that were not consistent with the way HESAA expected Special Counsel to function and because of those findings changes were made.

Mr. Jones added that his unit has conducted reviews of all eight of the college special counsel retained by HESAA. In the course of those reviews, issues were identified with each of these firms and corrective action is being taken on those issues identified.

Chairman Smith added that most of those issues seem to be of a procedural nature, noting that there was never any indication of misuse of funds. They did not follow the procedures that were put in place for special counsel; however, they do a tremendous job for the Authority. Mr. Smith asked CFO Hutchins to comment on HESAA's collection rate.

Mr. Hutchins responded that collections remain a primary source of income for the Authority. The amount of loans outstanding with the attorneys has decreased dramatically over the last two to three years as there is very little new work being assigned to these firms. He explained that they are basically liquidating portfolios that they had been assigned as of July 1, 1998 when the USDE changed the regulations that made administrative wage garnishment the primary collection tool rather than litigation. Mr. Hutchins pointed out that Special Counsel have made tremendous progress in addressing these accounts that had been assigned to them prior to 1998 and most of those have either been closed or in the process of being closed.

Ms. Harris asked for a year-over-year evaluation of the Authority's collection rate, irrespective of collection vehicle.



Mr. Hutchins responded that collection results might be viewed in two ways: the gross default rate and the net default rate. HESAA has a cohort default rate, as defined by the USDE, of around 5.4 percent. The net default rate is approximately 2 percent. He explained that there are some people that HESAA either cannot find or who are in such financial difficulty that they are unable to repay their student loans. Since a default makes it difficult for these people to buy a house or do anything else that most people expect to do as far as a normal life financially, HESAA's assistance not only protects the federal fiscal interest, but it also helps people resolve their credit issues.

## **2004 DANA CHRISTMAS SCHOLARSHIP AWARD RECIPIENTS**

Chairman Smith acknowledged the recipients of the Dana Christmas Scholarship Awards as follows:

Ross Carmichael, 19, of Jacobstown, who saved his friend from drowning even though his friend was severely injured by the boat's propeller when he fell while water skiing.

Angelo J. Domenick, 12, of Bellville, who rescued his young cousin from drowning under ice last winter in the frigid waters of a lagoon near a relative's house.

William (Bill) Flynn, 16, of Flemington, who at age 10, rescued a 75 year-old man from drowning in his grandmother's pool.

Kalief Jones, 18, of Camden, who, placing himself in danger, called for medical and police assistance and remained with a classmate who had been shot in a drive-by shooting while walking home from school, even though other classmates ran away from the shooting.

Guillermo Prescott, 19, of Harrison, who at age 15, alerted and helped the residents of a housing complex evacuate during a fire.

Chairman Smith added that it was quite difficult to select five from those that were considered. All of the persons who were considered had done very extraordinary things and he noted that there would be a presentation by the Acting Governor at a future date.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. Angulo began his report by stating that he was happy to talk about some exciting things that are going on at the Authority. He introduced a new employee of the Authority, Steve Tessitore, who has assumed the position of Director of Financial Aid Services. Mr. Angulo provided an overview of Mr. Tessitore's extensive background in student financial aid and in federal service.

## **SOCIAL SERVICES STUDENT LOAN REDEMPTION PROGRAM**

Mr. Angulo stated that he was pleased to report on Governor Codey's recent initiative that would provide loan forgiveness to New Jersey residents who have successfully completed a four year degree and have completed the first year of full-time employment in a qualified direct care position with a qualified mental health or developmental disability facility. This program is intended to mitigate the shortage of mental health professionals in state contracted non-profit mental health or developmental disability facilities. Under this new program, no more than \$5,000 would be forgiven in a given year and the total loan funds eligible for forgiveness per

borrower is \$20,000. Mr. Angulo noted that HESAA is looking forward to the passage of this legislation, as it will provide a needed benefit to students and the state.

### **NJSTARS UPDATE**

Mr. Angulo reported that HESAA recently completed the fall 2004 NJ STARS payment process. To date, nearly 600 students have received an average semester award of \$1,282, for a total fall expenditure of \$762,207. In addition, approximately 350 “non-funded” students were identified. While non-funded students did not receive a monetary award for various reasons, they are potentially eligible to receive NJ STARS funding in the spring and in the future. Beginning in the spring term, HESAA anticipates additional NJ STARS recipients from the pool of students that it has identified at county colleges. For the 2005-2006 academic year, continued growth in the number of NJ STARS recipients is expected, as families and students become more familiar with the program and HESAA’s outreach initiatives continue to develop awareness of the program.

### **DANA CHRISTMAS SCHOLARSHIP FOR HEROISM**

Since the Board Chair had already discussed the 2004 recipients, Mr. Angulo simply reiterated that the Governor would be hosting these students and their families at the State House to recognize their achievements.

### **TEACHING FELLOWS LOAN REDEMPTION PROGRAM**

Mr. Angulo reported that the Teaching Fellows Loan Redemption Program was initiated to address New Jersey’s acute shortage of teachers to instruct students in critical areas of need such as mathematics, science, foreign languages and special education. The Program was created in recognition of the difficulty that certain New Jersey school districts encounter in acquiring and retaining talented teachers in these disciplines.

The first of the loan redemptions are targeted to occur in the summer of 2005 following the candidate’s successful completion of one year of employment within one of the thirty-one Abbot school districts in the state. Candidates have up to 25% of their Federal Loans, which are administered through HESAA, redeemed for each year of service. The program currently has \$310,000 in funding. Borrowers selected for the program can redeem a maximum of \$6,000 a year for four years, or \$24,000 maximum.

### **NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST (NJBEST)**

Mr. Angulo then addressed the NJBEST (New Jersey Better Educational Savings Trust) program. He advised that the NJBEST program continues to grow exponentially, with total assets under management as of January 31, 2004 totaling \$668.0 million. This compares with the \$149.0 million invested through the plan as of March 2003 and represents a 350% increase in NJBEST assets. These savings, which are anticipated to grow at a similar pace, will help over 80,000 families fund the future costs of their children’s higher education.

### **UPDATE ON NJCLASS**

Mr. Angulo reported that the State Treasurer allocated \$225.0 million in 2004 tax-exempt bond volume cap to the Authority for use in calendar 2005. This allocation represents a \$25 million

increase from the prior year and will enable the Authority to fund its financing needs for the current NJCLASS and the FFELP programs. Mr. Angulo advised that HESAA is in the process of developing some additional very exciting programs for New Jersey students that will have a profound benefit, not only to the students directly, but on the State indirectly in the future.

Mr. Angulo expressed the Authority's gratitude to the Governor and to the Treasurer for their strong support of HESAA.

## **PERSPECTIVE ON THE STATE BUDGET**

Mr. Angulo then addressed the state budget issue, stating that the State is currently facing a \$4 billion deficit. The Authority is monitoring the situation and working closely with the State and will provide further information when appropriate. He noted that HESAA's program funding is not simply a State issue but also a federal issue.

Mr. Angulo reported that President Bush released his proposed FY06 budget on February 7, 2005. This budget, which has been presented by the administration as a "reauthorization budget," could negatively impact the Authority's retained collection revenue, Tuition Aid Grant Awards, and the campus-based student aid programs. In addition, it recommends an increase in student borrowing levels, a true entitlement for the Pell Grant program, changes the construction of the Federal Consolidation Loan Program and retains all FFELP and Direct loans at a variable interest rate. HESAA is evaluating the impact of the bill on New Jersey and the Authority's analysis was distributed to members for their review. He encouraged Board members to contact his office if they had any questions, as Fran Andrea has been working directly on this issue and would be more than happy to answer their questions.

Mr. Angulo concluded by thanking the Board.

Since there was no other business to be presented, Chairman Smith announced that the next Board meeting is May 11, 2005 at 10 AM. He thanked those participating by phone and entertained a motion to adjourn.

A motion to adjourn was made by Ms. Ferris and seconded by Mr. Green.

Meeting was adjourned at 11:04 AM.