

## **MINUTES**

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

January 22, 2025

The Higher Education Student Assistance Authority (HESAA) Board held a remote teleconference meeting on January 22, 2025 at 10:00 am via Zoom. Thirty-three people logged into the meeting.

**PRESENT:** HESAA Board Members: Dr. Brian Bridges, Secretary of Higher Education; Ms. Margo Chaly; Ms. Beatrice Daggett; Ms. Favour Oyelade; Ms. Shernelle Pringle; Mr. Anthony Longo, Treasurer's Designee; Dr. Nelson Turcios; and Ms. Christy Van Horn, Chair.

**ABSENT:** Ms. Ivona Szaro; Mr. Scott Salmon; and Mr. Gary Williams.

#### **CALL TO ORDER**

Christy Van Horn called the meeting to order at 10:01 am. Margo Chaly stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Van Horn welcomed the Board members and advised that since this meeting is being held remotely, Roseann Sorrentino would conduct a roll call for the resolutions.

Ms. Van Horn welcomed Kevin Milton, Deputy Attorney General from the New Jersey Division of Law, and Alexis Franklin, Senior Counsel from the Governor's Authorities Unit.

Ms. Van Horn asked Roseann Sorrentino to call the roll.

#### **CONSIDERATION OF THE MINUTES OF THE OCTOBER 23, 2024 MEETING**

A motion to approve the minutes of the October 23, 2024 meeting was made by Dr. Brian Bridges and seconded by Ms. Bea Daggett. The minutes were approved unanimously with one abstention, Mr. Anthony Longo who was not present at this meeting.

#### **RESOLUTION 01:25 APPROVING THE SECOND EXTENSION OF THE CONTRACT WITH DILWORTH PAXSON LLP, SPECIAL COUNSEL NJBEST 529 PLANS**

Marnie Grodman presented Resolution 01:25 to the Board.

HESAA engages Special Counsel to assist in the review of materials related to the 529 Plans as well as to provide general tax advice as questions arise. As a result of the RFQ issued on December 9, 2021, HESAA engaged Dilworth Paxson LLP as Special Counsel to serve for a term of two years with three optional one-year extensions. During the initial term of engagement, Dilworth responded to HESAA's requests for legal advice promptly, providing well researched opinions.

Additionally, Dilworth is currently assisting HESAA in negotiating a contract with Franklin Templeton as the NJBEST Investment Manager.

Based on Dilworth's successful performance during the initial terms of its agreement with HESAA, staff recommends exercising the second option to extend Dilworth's contract for one year.

A motion to approve Resolution 01:25 was made by Ms. Bea Daggett and seconded by Dr. Brian Bridges.

The motion passed unanimously.

## **CHIEF COMPLIANCE OFFICER'S REPORT**

Greg Foster presented the following report to the Board:

Good morning Board members, colleagues and guests of the Authority.

It is my pleasure to appear before you this morning to provide my annual compliance report to the Board. I will provide updates on HESAA's compliance initiatives and provide perspective on any potential risk exposure, but first I would like to take a moment to address some big changes that occurred over that last year to both HESAA and the Board. In 2024, HESAA bid farewell to Executive Director David Socolow and welcomed HESAA Chief of Staff, Margo Chaly, into the Executive Director role. We all know that David was a driving force here at HESAA, who transformed this Authority in countless positive ways during his tenure as Executive Director. HESAA, and the higher education community at large in the state of New Jersey, are in in good hands with Margo Chaly who will continue to guide HESAA and build upon all the great work of the current administration.

I also want to thank longtime Board member Jean MacDonald Rash, who retired after 20 years serving on HESAA's Board, and wish her health and happiness in her next chapter.

I will now highlight some monumental achievements from the past year that continue to address HESAA's main weaknesses from a compliance and risk exposure perspective.

As I reported to you many times in the past, staffing issues and succession planning were previously identified as weaknesses in multiple areas at HESAA. Several reasons contributed to this deficiency including: the state-wide hiring freeze, the lack of qualified employees available to assume key roles at HESAA, barriers to cross-training in critical business areas, the large share of staff at or near retirement age, and the upward trend of annual retirements. This year alone, two long time HESAA giants retired: David Gillespie the Director of Student Loan Programs and Raju Konduru, Senior Systems Architect, served for more than a combined 50 years.

I am happy to report that HESAA built upon recent hiring initiatives by realigning internal organizational structures to improve the efficiency of Authority supervisors and staff. In addition to hiring 16 permanent employees in 2024, HESAA also promoted several current employees, continuing the Authority's crucial rebuilding effort, and adding new and necessary functions to

the Compliance, Customer Care Solutions, Customer Contact Center, Finance, Grants & Scholarships, HTECH, Loan Originations, and Outreach & Communications teams. These organizational changes create new capacity, channeling HESAA's resources and expertise to improve support for students and families in all aspects of the college financial aid process while building on the Authority's existing energy and knowledge. The current headcount at HESAA is 155 employees, with nearly 30 additional postings planned for open positions to be filled this year. The Board plays a key role in this operational oversight through the Administrative and Capital Budget approval process that enables the Authority to continue to hire additional new employees as needed to fill critical vacancies.

Over the past year, HESAA was tasked by various stakeholders within the state to develop and run several new state student loan redemption programs. I am happy to report that our team built the infrastructure and processes on short notice to service the Home and Community Based Services Provider Loan Redemption Program in addition to our existing loan redemption programs, including Primacy Care Practitioners, Behavioral Healthcare Providers, Nursing Faculty, New Jersey Teacher, New Jersey STEM and John R Justice, which are critical to address staffing needs statewide in underserved, high-need fields.

Additionally, this was a challenging year for HESAA due to the changes implemented by the U.S. Department of Education (USDE) to the Free Application for Federal Student Aid (FAFSA) platform used to determine eligibility for both Federal and State financial aid. Our Grants and Technology teams worked tirelessly to adapt our systems and processes in a timely fashion to accommodate the new format while the U.S. Department of Education worked through many setbacks and processing errors within their system. I applaud our whole organization for making HESAA's portion of this transition a success, as there was only a decline of 2.3% in completed FAFSA applications compared to the prior year.

Also over the last year, the Compliance team reviewed and destroyed approximately 65 years of FFELP paper records after we received the final sign-off approval from the USDE to complete the last remaining piece of the FFELP transition to the Kentucky Higher Education Assistance Authority (KHEAA). The FFELP paper records were held as a back-up while the FFELP wind down took place and were only destroyed after confirming that no outstanding issues or items remained open between KHEAA, HESAA, and the USDE. I want to thank Ruth Odom, Jerry Traino, and their respective teams for bringing this across the finish line.

Finally, technology and security are foundational areas to monitor for the Authority's success and risk mitigation. As an update, the new NJCLASS loan servicing system now has 69,328 loans transitioned from the old system, totaling 69% of the entire \$1.2 billion NJCLASS loan portfolio. The new CLASS servicing platform also enables HESAA to address another weakness that the Compliance team historically cited as a potential risk for HESAA: the aging mainframe computer system that supports mission-critical transactions, including loan servicing, portions of loan originations, and accounting. Due to the obsolescence of the mainframe, it has limited capacity to efficiently adjust to meet emerging needs and changes that are required by modern technology or expand customer options such as streamlined credit reporting or the RAP and HIARP repayment programs. As NJCLASS loans migrate off the mainframe and into the new CLASS platform, HESAA will also transition other programs such as loan originations to new platforms to enable the mainframe system to be decommissioned.

In the upcoming year, the Compliance unit intends to parlay the FFELP records destruction project into a total HESAA records retention update. We are working with Treasury to update our Records Retention schedule and will transition from paper records storage to utilizing the cloud for our records storage and back-ups.

Another ongoing project for this year is to reduce risk exposure by utilizing contract procurement and tracking software, allowing a broader view and oversight to initial purchases and then renewals. HESAA will track, manage, and collaborate in one space for RFP's as well as standard contracts used in the normal course of business.

At this time, I would like to take a moment to thank all the members of the Board for setting the proper compliance tone at the top of the organization. More specifically, I want to acknowledge the Board members for your role in supporting the compliance function of the Authority by enabling the major accomplishments just discussed to address the weakness and risks I previously identified. The Board plays a key role in establishing safeguards that flow up and down the Authority, which promote compliance participation and excellence at all operational levels.

The Board also has a valuable compliance function in its approval and oversight of expenditures for significant, mission-critical infrastructure. For instance, the new servicing system and back-up power generator significantly reduce risk. Annually, the Board works with our outside auditor; approves the selection of vendors after a procurement process; supports the Finance unit and outside bond counsel to authorize complex bond transactions; and reviews new regulations. As a result of the Board's compliance activities, HESAA routinely receives high marks as evidenced by clean audit reports, exemplary responses from credit rating agencies, and the absence of major regulatory inquiries or fines, significant lawsuits, security breaches, Consumer Financial Protection Bureau (CFPB) complaints, or ethics violations.

Perhaps the single most important element of the compliance program is an open, active and transparent line of communication between my office and all HESAA staff members, as well as the Board. It pleases me to have such a strong informational reporting relationship between the executive staff and the Board members which effectively acts as another layer of compliance protection. Through periodic reports to the Board from the Finance, Compliance, and Program Review units, as well as from the Executive Director, the open channels of communication and reporting allow the Board members to protect and strengthen the Authority's overall compliance, reputation, fiscal integrity, and ability to provide critical support and services. The Board's involvement is critical to compliance success and plays an important role in the sustainable effectiveness of the Authority's mission to help New Jersey students and families achieve their higher education goals.

Chairwoman Van Horn thanked Mr. Foster for his report and stated that the Board values receiving this report each year, reiterating the integrity of HESAA. She further stated that this report focuses on HESAA's "Haves," which are critical attention to personnel and process issues, and "Have nots," which are problems negative external audit findings and lawsuits.

## EXECUTIVE DIRECTOR'S REPORT

Thank you, Chairwoman Van Horn and members of the Board.

Since we last met in October, we wrapped up an extremely successful Fall semester, so let us jump right into a recap.

Starting with Grants & Scholarships, we see an across-the-board increase in the number of state financial aid-eligible students this year. Let me underscore a comment I made at our last Board meeting: despite the challenges caused by the botched deployment of the Free Application for Federal Student Aid (FAFSA) by the U.S. Department of Education, submissions from New Jersey residents decreased by **only** 2.3%. This is significant, especially considering the increase in Fall 2024 enrollment at New Jersey colleges and universities. As a result, HESAA disbursed nearly 11,000 more TAG and Part-time TAG awards in Fall 2024 compared to Fall semester in 2023.

Conversely, during the Fall 2024 semester, HESAA disbursed last-dollar College Promise program awards under Community College Opportunity Grant (CCOG) and Garden State Guarantee (GSG) to fewer students than last fall. This is consistent with the 5.5% increase in number of students receiving federal aid nationwide in the current academic year, as [reported](#) by the federal Department of Education last week. Specifically, almost 14% more students are receiving federal Pell grants this year compared to last year.

This is what accessibility looks like.

The simplified FAFSA – after a rocky start – is now growing into its new name. The form includes a direct feed from the Internal Revenue Service (IRS), which streamlines the submission process for many applicants by removing logistical barriers such as obtaining and uploading tax transcripts. To provide some context, prior to the deployment of the new FAFSA form, 50% of applicants did not respond to requests from the HESAA Grants unit for supplemental documentation used to assess financial eligibility for need-based State financial aid. Now, thanks to the integration of the IRS with the FAFSA, the HESAA Grants unit can verify eligibility more promptly by not relying on manual intervention by the applicants. Therefore, more students are receiving the aid for which they are eligible, and pursuing their post-secondary degree in the Garden State.

This is what accessibility looks like.

Five years ago HESAA removed the requirement for financial aid applicants to answer additional state-specific questions after completing the FAFSA to be considered for State financial aid. Then, in 2023 we improved the upload process for supplement documentation, if necessary, to be added directly into NJFAMS, the platform New Jersey residents are familiar with to track their grants and scholarship awards, rather than through a cumbersome separate platform. And now, after a year of testing and refinement, the technological enhancements to the FAFSA facilitate a simpler process for students to access a more affordable path to a degree, including in New Jersey.

This is what accessibility looks like.

While we are only halfway through the current academic year, we are already preparing for the upcoming 2025-2026 academic year. Following months of intense discussion and collaboration between the federal Department of Education and agencies that administer state grants, such as HESAA, the FAFSA platform is functioning as intended, after launching a few days ahead of the December 1, 2024 goal. To date, HESAA received nearly 98,000 financial aid applications for the school year beginning in Fall 2025.

Last year Governor Murphy enacted legislation to make New Jersey the 12<sup>th</sup> state to require high school seniors, beginning with this Class of 2025, to complete a financial aid application or a waiver in order to graduate. To support current high school seniors and their counselors in meeting this new graduation requirement, HESAA entered into a data sharing agreement with more than 300 high schools. Under the agreement, HESAA provides approved high school personnel with the application filing status for each member of the senior class, specifically, whether the application is complete, in progress, or not yet started. If a New Jersey high school principal or counselor is hearing this and wants to learn more about the data sharing agreement and how it can help your team, please contact our Director of Outreach & Communication, Jennifer Azzarano. You can find her contact information on our website.

Jen and her team continue to blanket the state with in-person and virtual workshops for students, parents, and high school counselors. In fact, yesterday the U.S. Department of Education recognized New Jersey for clearing the 50% mark across the entire 12<sup>th</sup> grade cohort in preparing students to complete a FAFSA by first creating an FSA ID. This is a testament to the collaboration between André Maglione, his team, and the Champions of Student Success throughout New Jersey, which includes the community- and faith-based organizations and legislators, who spread awareness of and, more importantly, open their doors to host, our financial aid information sessions.

This is all in parallel to the ongoing statewide awareness campaign that started as a concept one year ago. It is now a fully fleshed out campaign with almost 15 million views. From billboards, to videos, and other digital content, the Communications teams at HESAA, the Office of the Secretary of Higher Education (OSHE) and the Office of Innovation created a repository of materials that our agencies and the institutions can use to amplify the message that college is within reach, both financially and geographically, here in the Garden State. Nearly half a million people visited the [collegeforyou.nj.gov](https://collegeforyou.nj.gov) website since the launch of this campaign.

As we begin a new calendar year we are in a full sprint to the end of the fiscal year in June. This includes many familiar annual events and assignments. For example: completing the 2025 bond indenture to secure funding for the Academic Year 2025-2026 NJCLASS supplement loan program; preparing for the implementation of both the Fiscal Year 2026 State budget items appropriated to HESAA and our administrative/capital budgets; opening the application period for the remaining loan redemption programs in the HESAA portfolio; and creating our resource materials and publications for the upcoming academic year.

You will notice the omission of one spring project: the publication of the Annual Report. We are recalibrating the timeline of this report. Typically, the report is published in April to recap the prior calendar year. Unfortunately, the timing resulted in a 10-month delay of releasing academic year data after the close of the corresponding fiscal year. Going forward, the HESAA Annual Report

will be published in October, with data from the academic/fiscal year that ends on June 30 immediately preceding publication of the report. That said, later this year, in October 2025, we will produce one (1) “double-issue,” which includes data from the academic and fiscal year that ended on June 30, 2024 and the academic/fiscal year that will end on June 30, 2025. Next year, in October 2026, the report will include data from the academic and fiscal year that ends on June 30, 2026.

Thank you all for your time and attention this morning, and throughout the year as the HESAA team supports the New Jersey students pursuing an academic journey after high school in the Garden State.

## **ADJOURNMENT**

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, April 16, 2025 at 10:00 am, in person.

A motion to adjourn was made by Dr. Brian Bridges and seconded by Ms. Bea Daggett. The motion passed unanimously.

The meeting adjourned at 10:30 am.



**PHILIP D. MURPHY**  
Governor

**TAHESHA L. WAY**  
Lt. Governor

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**MARGO CHALY, ESQ.**  
Executive Director

## MEMORANDUM

**TO:** Members, Higher Education Student Assistance Authority Board

**THROUGH:** Margo Chaly, Esq.<sup>MC</sup>  
Executive Director

**FROM:** Marnie Grodman, Esq.<sup>MBG</sup>  
Director, Legal and Governmental Affairs

**SUBJECT:** Resolution 01:25 Approving the Second Extension of the Contract with Dilworth Paxson LLP, Special Counsel NJBEST 529 Plans

**DATE:** January 22, 2025

### Background

The Higher Education Student Assistance Authority (HESAA) administers the New Jersey Better Educational Savings Trust (NJBEST) program, New Jersey's State qualified tuition program under Section 529 of the Federal Internal Revenue Code of 1986, as well as the Franklin Templeton 529 College Savings Plan (529 Plans). On December 9, 2021, HESAA issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms for the appointment of Special Counsel to assist in the review of materials related to the 529 Plans as well as to provide general tax advice as questions arise.

As a result of the RFQ issued on December 9, 2021, HESAA engaged Dilworth Paxson LLP (Dilworth) as Special Counsel NJBEST 529 Plans to serve for a term of two years with three optional one-year extensions. During the initial term of engagement, Dilworth responded to HESAA's requests for legal advice promptly, providing well researched opinions. Additionally, Dilworth assisted HESAA in drafting RFPs for a 529 consultant and Investment Manager, and represented HESAA in negotiating contract terms with the latter. Therefore, staff recommends exercising the second option to extend Dilworth's contract for one year.

### Recommendation

It is recommended that the Board approve Resolution 01:25 Approving the Second Extension of the Agreement with Dilworth Paxson LLP as Special Counsel to assist in the review of materials related to 529 Plans and to provide general tax advice.

Attachment



**RESOLUTION 01:25**

**APPROVING THE SECOND EXTENSION OF THE CONTRACT WITH DILWORTH  
PAXSON LLP, SPECIAL COUNSEL NJBEST 529 PLANS**

Moved by: Ms. Beatrice Daggett

Seconded by: Dr. Brian Bridges

**WHEREAS:** The Higher Education Student Assistance Authority (HESAA) administers the New Jersey Better Educational Savings Trust (NJBEST) program, New Jersey's State qualified tuition program under Section 529 of the Federal Internal Revenue Code of 1986, as well as the Franklin Templeton 529 College Savings Plan ("529 Plans"); and

**WHEREAS:** On December 9, 2021, HESAA issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms for the appointment of Special Counsel to assist in the review of materials related to the 529 Plans as well as to provide general tax advice as questions arise; and

**WHEREAS:** As a result of the RFQ issued on December 9, 2021, HESAA engaged Dilworth Paxson LLP as Special Counsel NJBEST 529 Plans to serve for a term of two years with three optional one-year extensions; and

**WHEREAS:** During the initial term of engagement, Dilworth responded to HESAA's requests for legal advice promptly, providing well researched opinions, assisted HESAA in drafting RFPs for a 529 consultant and Investment Manager, and represented HESAA in negotiating contract terms with the latter.

**NOW, THEREFORE, LET IT BE:**

**RESOLVED:** That the Board approves the second one-year extension of the contract with Dilworth Paxson LLP as Special Counsel to advise on 529 Plans as well as to provide general tax advice as questions arise.

January 22, 2025


# Report to the Board January 22, 2025

Presented by Margo Chaly, Esq, Executive Director




## AY 2024-2025 Fall Semester Results

- **Tuition Aid Grants (TAG) compared to Fall 2023**
  - 9,300 (15.25%) more students received TAG (includes PT-TAG for EOF)
  - PT-TAG at Community Colleges: 1,500 (24%) more students
- **Last-dollar, New Jersey College Promise compared to Fall 2023**
  - Community College Opportunity Grant (CCOG): 24% fewer students
  - Garden State Guarantee (GSG): 7% fewer students
- **Federal Financial Aid**
  - Up 5.5% compared to last year
  - 14% more students receiving Pell grants




## AY 2025-2026 Looking Ahead

- **2025-2026 Financial Aid Applications received to date**
  - 97,000+
- **Financial Aid Application Graduation Requirement**
  - 300+ Data Sharing Agreements
  - Presented to more than 1,300 high school counselors
  - Hosted more than 30 instructional zoom sessions with some of NJ's largest school districts to ensure most efficient use of the agreements
  - Increase in HESAA hosting financial aid nights for the high schools
  - Increase in requests from Legislators to host workshops within districts throughout New Jersey



## Statewide Awareness Campaign

- The ongoing campaign in conjunction with OSHE & OOI continues to raise awareness about the affordability and accessibility of a college degree here in New Jersey.
- As of January 15, 2025, the campaign already generated:
  - More than 14.89 million video views
  - More than 31.2 million impressions of non-video digital content
  - More than 482,500 visits to the campaign microsite [collegeforyou.nj.gov](http://collegeforyou.nj.gov)




## Annual Report

- **Prior Publication Schedule & Content**
  - April Board Meeting (ex: April 16, 2025)
  - Time Period:
    - Updates from prior calendar year (ex: 2024)
    - Financial Aid Awards from prior Academic Year, which ended 10 months before publication (ex: Fall 2023 & Spring 2024)
- **NEW! Publication Schedule & Content**
  - October Board Meeting (ex: October 22, 2025)
  - Time Period:
    - Updates from immediately prior Fiscal Year
    - Financial Aid awards from immediately prior Academic Year (ex: Fall 2024 & Spring 2025)
    - Inaugural October issue will include data from AY 2023-2024 (FY 24)

## Annual Report

- **Prior Publication Schedule & Content**



- **NEW! Publication Schedule & Content**

