

# **HIGHER EDUCATION SERVICES CORPORATION**

## **MISSION**

The Higher Education Services Corporation was established in 1974 to provide centralized processing of student financial aid programs. The Corporation administers the State's Tuition Assistance Program, the Federal Family Education Loan Program and other State and federal aid programs.

## **ORGANIZATION AND STAFFING**

The Corporation is governed by a 15-member Board of Trustees, 10 of whom are appointed by the Governor to 6-year terms. The ten gubernatorial appointees include two student representatives, a representative of the general public, a college financial aid administrator, a chief executive officer of a proprietary institution, two presidents of independent institutions, one chief executive officer of a proprietary school and two banking representatives. The remaining five ex-officio members include the Commissioner of Education, the Chancellors of the State University of New York and the City University of New York and student government leaders representing the public university systems.

The Corporation's chief executive officer is the President, who is appointed by the Governor, subject to Senate confirmation. The President's responsibilities include administrative oversight of key program areas including legal counsel, data processing, operations, grants and scholarships, loans and research.

The Agency will have a workforce of 825 employees in 2002-03. Of this total, 688 positions (83 percent) are paid through funds received for the administration of Federal student loans and 137 positions (17 percent) are paid from State funds for administration of State student financial aid programs. General administrative operations are located in Albany and Menands, while data processing operations are located in Troy.

## **FISCAL BACKGROUND AND BUDGET HIGHLIGHTS**

The Executive Budget recommends over \$656 million in support of agency operations and programs. Of this amount, nearly \$117 million will be available to support administration of State and Federal student aid programs and \$540 million will be awarded in financial aid to students or colleges to provide access to postsecondary opportunities and help maintain New York's leadership in higher education.

General Fund support of \$11.3 million is recommended for administration of State grants and scholarships. Over \$105 million of the operating budget represents Federal loan-related functions, which are supported from non-General Fund sources and include funding for administration of the Federal GEAR-UP program. Costs for shared data-processing, personnel, finance and other administrative activities are allocated proportionately according to time expended for State or Federal activities.

Of the \$540 million invested in financial aid and institutional grants, General Fund dollars account for over \$527 million. Support for the remaining expenditures is provided from Federal funds and non-General Fund revenues.

## **STATE OPERATIONS**

The Corporation will continue to improve its administrative operations in 2002-03 through investments in enhanced employee skills, modern technological infrastructure, and streamlined administrative practices. In addition to a renewed emphasis on providing

## ***HIGHER EDUCATION SERVICES***

---

comprehensive services to its clientele, the Corporation continues to develop partnerships with other student loan guaranty agencies to streamline costs, improve services, and increase responsiveness through shared development efforts.

### ***FINANCIAL AID PROGRAMS***

The 2002-03 recommended appropriation for the Tuition Assistance Program (TAP) is \$481.4 million. This level of funding continues enhancements made to the TAP program in 2000-01, but reflects a restructuring of the program to emphasize degree completion by creating a financial incentive for students to stay in college and graduate.

Significant TAP enhancements enacted in 2000-01 scheduled for implementation in 2002-03 include:

- Providing the higher TAP maximum award level of \$5,000 to another group of first-time TAP recipients; and
- Increasing the minimum award to \$500 for all students eligible to receive a minimum award.

Restructuring TAP will result in a decrease of \$155 million in TAP expenditures for 2002-03, accompanied by an increase of \$10 million to support the cost of the new TAP loan program. Major components of the restructured TAP program are as follows:

- TAP awards will be provided in two components — a “base” award equivalent to two-thirds of the current TAP award and a “performance” award equivalent to the remaining one-third of the award;
- Students will be expected to finance the performance award through federally guaranteed loans including Federal subsidized, unsubsidized and parent PLUS loans. Students who have exhausted their Federal loan eligibility will be eligible to receive their performance awards as TAP loans provided by HESC;
- Upon completion of their degree programs, students will receive a performance award payment from HESC equal to the amount of their deferred TAP awards plus accrued interest (if any) from any Federal or TAP loans they may have used in financing their performance award.

Support for the Scholarships for Academic Excellence program is continued at \$14 million. Under this program, 2,000 of New York’s top scholars will be eligible for annual awards of \$1,500 and \$6,000 academically distinguished high school students will be eligible for annual awards of \$500 for four years of undergraduate study. By recognizing high school achievement, this program encourages our most academically talented students to pursue their postsecondary education in New York State.

### ***PROGRAM HIGHLIGHTS***

#### ***STATE OPERATIONS***

The Corporation is continuing to implement several e-Commerce/e-Government initiatives, including moving more of its services to the World Wide Web, enhancing the public’s ability to get information and process transactions through an integrated Web Site and strengthening its service to schools, lenders, students and families.

In 2002-03, the Corporation will continue to coordinate the State’s participation in the Federal GEAR-UP program. In 1999, the Corporation was awarded a five-year Federal GEAR-UP grant to provide early college preparation and guidance services to low-income communities.

#### ***FEDERAL LOAN GUARANTEE PROGRAM***

The largest part of the Corporation’s operational responsibility is the administration of the Federal Family Education Loan program. Under this program, the Corporation guarantees over \$12.1 billion in outstanding loans made by banks to students. When banks are unable

## **HIGHER EDUCATION SERVICES**

to collect student loan repayments, the Corporation intervenes to avert default. If these default aversion efforts are unsuccessful, defaulted loans are purchased from banks and steps are taken to bring such defaulted loans into repayment. The Corporation also provides customer services for lenders, schools and students, which include the distribution of loan information, as well as training and technical assistance related to loan applications and processing.

Federal loan activities administered by the Corporation include:

- \$3.8 billion in new guaranteed loans in 2000-01;
- Processing of student loans for more than 485,000 individual borrowers; and
- Defaulted loan collections of \$190 million and defaulted loan purchases of \$181 million in 2000-01.

### **FINANCIAL AID PROGRAMS**

The Corporation's State-funded responsibilities include processing student applications for State student financial aid programs, determining award amounts, processing and auditing aid payments to students and colleges, conducting reviews of participating institutions, collecting disallowed amounts identified in audits of participating institutions and providing information services to the public, students and schools for the following programs:

- Tuition Assistance Program: \$481.4 million in aid will be provided to recipients in the public and private sectors. Of this amount, \$345 million will be offset using funds from the Federal Temporary Assistance for Needy Families (TANF) program;
- Tuition Assistance Loan Program: \$10 million will be made available for those students who have exhausted their Federal loan eligibility and can demonstrate that additional assistance is needed to initially finance their TAP performance award;
- Aid for Part Time Study: \$14.6 million will be available to nearly 23,000 part-time students in all sectors of higher education; and
- Scholarships and Fellowships: nearly 3,300 recipients are projected to receive aid for special employment preparation or targeted needs under 14 State and Federal programs; 32,000 Scholarships for Academic Excellence will be available in 2002-03 to students pursuing their college education in New York State.

### **COLLEGE CHOICE TUITION SAVINGS PROGRAM**

Signed into law in 1997, the College Choice Tuition Savings Program presents a major commitment by the State to encourage families throughout New York to save for the college education of their children or grandchildren. Under this program, families can save for their children's education at accredited public and private colleges in New York or anywhere in the country with accompanying tax benefits on contributions made to, and interest earned on, college savings accounts.

Jointly administered by the Corporation and the Office of the State Comptroller, the program has been well received by the general public. Since its inception in September 1998, over 172,600 accounts have been opened, with contributions exceeding \$800 million. New York's program has already received national recognition as one of the top college savings plans in the nation.

#### **ALL FUNDS APPROPRIATIONS (dollars)**

<b>Category</b>	<b>Available 2001-02</b>	<b>Appropriations Recommended 2002-03</b>	<b>Change</b>	<b>Reappropriations Recommended 2002-03</b>
State Operations	98,262,000	116,805,000	18,543,000	5,000,000
Aid To Localities	682,348,000	540,164,000	(142,184,000)	0
Capital Projects	0	0	0	0
Total	<u>780,610,000</u>	<u>656,969,000</u>	<u>(123,641,000)</u>	<u>5,000,000</u>

# HIGHER EDUCATION SERVICES

## ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS

Program	Full-Time Equivalent Positions (FTE)		
	2001-02	2002-03	FTE Change
	Estimated FTEs 03/31/02	Estimated FTEs 03/31/03	
Administration			
General Fund	44	44	0
Special Revenue Funds - Other	246	246	0
Guaranteed Loan Programs			
Special Revenue Funds - Other	442	442	0
Grants and Scholarships			
General Fund	93	93	0
Total	825	825	0

## STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available	Recommended	Change
	2001-02	2002-03	
General Fund	9,593,000	11,309,000	1,716,000
Special Revenue Funds - Federal	5,000,000	5,532,000	532,000
Special Revenue Funds - Other	83,669,000	99,964,000	16,295,000
Total	98,262,000	116,805,000	18,543,000

## STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS (dollars)

Program	Available	Recommended	Change
	2001-02	2002-03	
Administration			
General Fund	5,006,000	6,471,000	1,465,000
Special Revenue Funds - Other	34,422,000	49,958,000	15,536,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal	5,000,000	5,532,000	532,000
Special Revenue Funds - Other	49,247,000	50,006,000	759,000
Grants and Scholarships			
General Fund	4,587,000	4,838,000	251,000
Total	98,262,000	116,805,000	18,543,000

## STATE OPERATIONS - GENERAL FUND SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES 2002-03 RECOMMENDED (dollars)

Program	Total		Personal Service Regular (Annual Salaried)	
	Amount	Change	Amount	Change
Administration	2,522,000	139,000	2,492,000	139,000
Grants and Scholarships	3,867,000	151,000	3,832,000	151,000
Total	6,389,000	290,000	6,324,000	290,000

Program	Temporary Service (Nonannual Salaried)		Holiday/Overtime Pay (Annual Salaried)	
	Amount	Change	Amount	Change
Administration	0	0	30,000	0
Grants and Scholarships	35,000	0	0	0
Total	35,000	0	30,000	0

# HIGHER EDUCATION SERVICES

## STATE OPERATIONS - GENERAL FUND SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES 2002-03 RECOMMENDED (dollars)

Program	Total		Supplies and Materials	
	Amount	Change	Amount	Change
Administration	3,949,000	1,326,000	162,000	0
Grants and Scholarships	971,000	100,000	25,000	0
Total	<u>4,920,000</u>	<u>1,426,000</u>	<u>187,000</u>	<u>0</u>

Program	Travel		Contractual Services	
	Amount	Change	Amount	Change
Administration	40,000	0	3,714,000	1,326,000
Grants and Scholarships	18,000	0	903,000	100,000
Total	<u>58,000</u>	<u>0</u>	<u>4,617,000</u>	<u>1,426,000</u>

Program	Equipment	
	Amount	Change
Administration	33,000	0
Grants and Scholarships	25,000	0
Total	<u>58,000</u>	<u>0</u>

## STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2002-03 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	49,958,000	15,536,000	10,410,000	662,000
Guaranteed Loan Programs	55,538,000	1,291,000	19,206,000	759,000
Total	<u>105,496,000</u>	<u>16,827,000</u>	<u>29,616,000</u>	<u>1,421,000</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	29,048,000	4,874,000	10,500,000	10,000,000
Guaranteed Loan Programs	30,800,000	0	5,532,000	532,000
Total	<u>59,848,000</u>	<u>4,874,000</u>	<u>16,032,000</u>	<u>10,532,000</u>

## AID TO LOCALITIES ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available	Recommended	Change
	2001-02	2002-03	
General Fund	672,948,000	527,948,000	(145,000,000)
Special Revenue Funds - Federal	2,400,000	5,216,000	2,816,000
Special Revenue Funds - Other	7,000,000	7,000,000	0
Total	<u>682,348,000</u>	<u>540,164,000</u>	<u>(142,184,000)</u>

# HIGHER EDUCATION SERVICES

---

**AID TO LOCALITIES  
ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM  
APPROPRIATIONS  
(dollars)**

<b>Program</b>	<b>Available 2001-02</b>	<b>Recommended 2002-03</b>	<b>Change</b>
Scholarships and Fellowships			
General Fund	21,918,000	21,918,000	0
Special Revenue Funds - Other	7,000,000	7,000,000	0
State Grant Programs			
General Fund	636,400,000	491,400,000	(145,000,000)
Special Revenue Funds - Federal	2,400,000	5,216,000	2,816,000
Tuition Awards for Part-Time Students			
General Fund	14,630,000	14,630,000	0
Total	<u>682,348,000</u>	<u>540,164,000</u>	<u>(142,184,000)</u>