

HIGHER EDUCATION SERVICES CORPORATION

MISSION

The Higher Education Services Corporation (HESC) 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 700 employees in 2006-07. Virtually all employees are paid through funds received for the administration of Federal student loans. General administrative operations are located in Albany, while data processing operations are located in Troy.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

The Executive Budget recommends \$942 million in support of agency operations and programs. Of this amount, approximately \$110 million will be available to support administration of State and Federal student aid programs and \$832 million will be awarded in financial aid to students or colleges to promote access to postsecondary educational opportunities.

Of the \$832 million invested in financial aid and institutional grants, General Fund support accounts for nearly \$805 million. Support for the remaining expenditures is provided from special revenue and Federal funds.

STATE OPERATIONS

The Corporation will continue to improve its operational efficiency in 2006-07 through increased reliance on technology and streamlined administrative practices. In addition to a renewed emphasis on providing comprehensive services to its clientele, the Corporation continues to develop partnerships with other student loan guaranty agencies and the Federal government to streamline costs, improve services, and increase responsiveness through shared development efforts.

FINANCIAL AID PROGRAMS

The 2006-07 recommended All Funds appropriation for the Tuition Assistance Program (TAP) is \$783.4 million which reflects taxpayer support of \$756.4 million, utilization of

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HESC operating fund balances of \$20 million and \$7.0 million in federal funds. This reflects \$189.9 million in savings from the TAP reforms described below, offset by an increase of \$6.4 million for reimbursement to certain institutions for their pre-financing costs.

For the coming year, the following TAP reforms are proposed to ensure taxpayer funds are invested wisely and to protect students from exhausting their TAP eligibility prior to degree completion:

- Institutions will be required to pre-finance TAP awards provided to first-time TAP applicants who are admitted to postsecondary programs without having a high school diploma (\$42.0 million);
- Institutions will be reimbursed for their pre-financing costs, including interest, upon the students' successful completion of 24 credit hours or its equivalent;
- Full-time study will be defined as 15 credits per semester to ensure students complete their degree programs before exhausting their eight semesters of TAP eligibility;
- Students enrolling in fewer than 15 credits or earning fewer than 15 credits per semester would receive 80 percent of a full TAP award (\$70.0 million);
- Academic standards for TAP will be strengthened to reflect appropriate progress to a timely degree (\$13.5 million);
- TAP awards for accelerated study will require credit accumulation rates that demonstrate actual acceleration in time-to-completion (\$57.0 million);
- Students must be in full-time attendance at the time that institutions certify them for TAP eligibility (\$3.1 million); and
- All students in default on federal student loans will be ineligible for TAP, regardless of the loan guarantor (\$4.3 million).

The 2006-07 Executive Budget provides \$33.5 million for various scholarship and fellowship programs, reflecting a decrease of \$2.6 million from 2005-06. A total of \$2.3 million of this decrease reflects the statutory sunset of new scholarships in 2006-07 for the Regents Health Care Opportunity Scholarships and the Regents Professional Opportunity Scholarships.

To increase the State's pool of math and science teachers, legislation accompanying the Budget establishes the New York State Math and Science Teaching Initiative for students at our public and private colleges who make a five-year commitment to teach math and science in middle or high schools located within the State. Under this program, 500 new annual scholarships will be provided every year in amounts equal to the tuition charged at the State University of New York or actual tuition, whichever is less.

PROGRAM HIGHLIGHTS

STATE OPERATIONS

The Corporation is continuing to move more of its services to the Internet. HESC has made it easier for students to secure college loans by allowing them to apply on-line for loans and electronically sign promissory notes. Schools and lenders are now able to conduct all loan transactions on HESC's Web site. In addition, the Corporation has reached an agreement with the Federal Department of Education to allow State residents to apply for Federal and State financial aid through the Internet.

In 2006-07, the Corporation will continue to coordinate the State's participation in the Federal GEAR-UP program. In 1999, the Corporation was awarded a six-year Federal GEAR-UP grant to provide early college preparation and guidance services to low-income individuals. In 2005-06, HESC successfully coordinated the State's application for a new six-year GEAR-UP grant totaling \$21 million.

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 \$19.9 billion in outstanding loans made by banks to students. When banks are unable 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:

- \$6.0 billion in new guaranteed loans in 2004-05;
- Processing of student loans for over 673,000 borrowers; and
- Defaulted loan collections of \$385 million and defaulted loan purchases of \$292 million in 2004-05.

FINANCIAL AID PROGRAMS

The Corporation's responsibilities related to the administration of State financial aid programs include processing student applications, 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: \$783.4 million in aid will be provided to recipients in all sectors of higher education;
- Aid for Part Time Study: \$14.6 million will be available to over 22,000 part-time students in all sectors of higher education; and
- Scholarships and Fellowships: \$33.5 million will be provided for various scholarships and fellowships including the American Airlines Flight 587 Memorial Scholarships, Senator Patricia K. McGee Nursing Faculty Scholarships/Nursing Faculty Loan Forgiveness Incentive Program and the Regents Licensed Social Worker Loan Forgiveness Program. Over 25,000 recipients are projected to receive aid under the fifteen State and Federal scholarship programs administered by HESC.

COLLEGE CHOICE TUITION SAVINGS PROGRAM

Enacted in 1997, the College Choice Tuition Savings Program represents a State initiative 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 attendance at accredited public and private colleges in New York or in other states 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 387,000 accounts have been opened, with contributions totaling approximately \$4.0 billion. New York's program has already received national recognition as one of the top college savings plans in the nation.

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ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2005-06	Appropriations Recommended 2006-07	Change	Reappropriations Recommended 2006-07
State Operations	108,307,000	110,455,000	2,148,000	5,000,000
Aid To Localities	959,876,000	831,503,000	(128,373,000)	7,000,000
Capital Projects	0	0	0	0
Total	1,068,183,000	941,958,000	(126,225,000)	12,000,000

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

Full-Time Equivalent Positions (FTE)

Program	2005-06 Estimated FTEs 03/31/06	2006-07 Estimated FTEs 03/31/07	FTE Change
Administration			
Special Revenue Funds - Other	320	320	0
Guaranteed Loan Programs			
Special Revenue Funds - Other	380	380	0
Total	700	700	0

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

Fund Type	Available 2005-06	Recommended 2006-07	Change
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	103,307,000	105,455,000	2,148,000
Total	108,307,000	110,455,000	2,148,000

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

Program	Available 2005-06	Recommended 2006-07	Change
Administration			
Special Revenue Funds - Other	50,676,000	51,451,000	775,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	52,631,000	54,004,000	1,373,000
Total	108,307,000	110,455,000	2,148,000

STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2006-07 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	51,451,000	775,000	15,763,000	459,000
Guaranteed Loan Programs	59,004,000	1,373,000	21,502,000	626,000
Total	110,455,000	2,148,000	37,265,000	1,085,000

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	35,188,000	316,000	500,000	0
Guaranteed Loan Programs	32,502,000	747,000	5,000,000	0
Total	67,690,000	1,063,000	5,500,000	0

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

Fund Type	Available 2005-06	Recommended 2006-07	Change
General Fund	882,946,000	800,503,000	(82,443,000)
Special Revenue Funds - Federal	7,000,000	7,000,000	0
Special Revenue Funds - Other	69,930,000	24,000,000	(45,930,000)
Total	<u>959,876,000</u>	<u>831,503,000</u>	<u>(128,373,000)</u>

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

Program	Available 2005-06	Recommended 2006-07	Change
Scholarships and Fellowships			
General Fund	32,068,000	29,468,000	(2,600,000)
Special Revenue Funds - Other	4,000,000	4,000,000	0
State Grant Programs			
General Fund	850,878,000	756,405,000	(94,473,000)
Special Revenue Funds - Federal	7,000,000	7,000,000	0
Special Revenue Funds - Other	51,300,000	20,000,000	(31,300,000)
Tuition Awards for Part-Time Students			
General Fund	0	14,630,000	14,630,000
Special Revenue Funds - Other	14,630,000	0	(14,630,000)
Total	<u>959,876,000</u>	<u>831,503,000</u>	<u>(128,373,000)</u>