

**Agency Programs/Activities: Inventory and Key Data
Higher Education Services Corporation**

Relation to Core Mission	Program/Activity	Spending Category (SO, ATL, CAP)	3/31/09 FTEs (All Funds)	General Fund Disbursements (\$000s)				State Special Revenue Funds Disbursements (\$000s)				Capital Projects Funds Disbursements			
				2006-07 Actual	2007-08 Actual	2008-09 Plan	2009-10 Projected	2006-07 Actual	2007-08 Actual	2008-09 Plan	2009-10 Projected	2006-07 Actual	2007-08 Actual	2008-09 Plan	2009-10 Projected
H	FFELP - Default Collections	SO	194	0	0	0	0	39,986	40,118	41,524	42,554	0	0	0	0
H	FFELP - Loan Application Processing	SO	154	0	0	0	0	16,576	20,512	21,211	21,707	0	0	0	0
H	FFELP - Loan Program Support	SO	173	0	0	0	0	19,522	17,615	18,233	18,685	0	0	0	0
H	FFELP - Aversion/Default Prevention	SO	102	0	0	0	0	8,945	10,102	10,456	10,715	0	0	0	0
H	Grants and Scholarships	SO	72	0	0	0	0	14,052	13,013	13,366	14,265	0	0	0	0
H	Grants and Scholarships	ATL	0	847,067	850,495	799,600	817,215	18,841	9,648	33,560	25,960	0	0	0	0
M	GEAR UP	SO	4	0	0	0	0	746	999	1,000	1,030	0	0	0	0
L	College Choice	SO	1	0	0	0	0	391	380	392	403	0	0	0	0
	Total		700	847,067	850,495	799,600	817,215	119,058	112,387	139,742	135,320	0	0	0	0

Summary by State Fiscal Year	Total Spending
2006-07	966,125
2007-08	962,882
2008-09	939,342
2009-10	952,535

Attachment C

**Higher Education Services Corporation (HESC)
Program Information Sheet**

Program: Grants and Scholarships (which include the Tuition Assistance Program (TAP), Aid for Part-Time Study (APTS) and Scholarship and Loan Forgiveness Programs)

Mandate: The majority of grants and scholarships administered by HESC are established in Article 13 and Part 2 of Article 14 of the New York State Education Law.

Mandated Funding Level: Because TAP is an entitlement program, the State provides the funding necessary to fully support the program.

Brief Description/History/Background: Created in 1974 from its predecessor, the Scholar Incentive Program, TAP is the largest state need-based student financial aid program in the country in terms of both dollars and recipients. To be eligible for TAP, a student must be a U.S. citizen or eligible noncitizen and a legal resident of New York State, meet income eligibility limitations, attend a New York State college and maintain good academic standing. The maximum annual TAP award has grown in increments from \$1,500 in 1974 to \$5,000 today, and combined household net taxable income limits have increased from \$20,000 in 1974 to \$80,000 today.

APTS and scholarship and loan forgiveness programs also each have their own eligibility requirements and award levels.

In 2006-07, more than 320,000 students received a total of \$831 million in TAP awards, 22,700 students received \$12.5 million for APTS and 21,400 students received \$28.7 million for 18 scholarship and loan forgiveness programs.

Issues:

- Since its inception, TAP has fully covered SUNY and CUNY four-year college undergraduate tuition for the neediest students. If the current SUNY and CUNY four-year college undergraduate tuition rates of \$4,350 and \$4,000 are increased by more than \$650 and \$1,000 respectively, the existing maximum TAP award of \$5,000 will not be sufficient to fully cover tuition for the neediest SUNY and CUNY students.
- TAP is generally limited to four years for baccalaureate degrees and three years for associate degrees. SED statistics show that the majority of students fail to graduate within these timeframes and therefore most students exhaust their TAP eligibility prior to completion of their degrees.

Population Served: Low-income New York State resident students attending approved New York State postsecondary educational institutions on a full or part-time basis.

Performance Measures: The Office of the State Comptroller (OSC) audits postsecondary educational institutions in New York State to ensure that they are complying with the laws and regulations governing TAP. OSC determines which postsecondary educational institutions to audit based on a comprehensive risk assessment of these institutions. For the year ended December 31, 2006, OSC issued 11 TAP audits which recommended audit disallowances totaling close to \$4.7 million.

**Higher Education Services Corporation (HESC)
Program Information Sheet**

Program: Federal Family Education Loan Program (FFELP)

Mandate: HESC is responsible for administering the State's higher education student financial aid programs including serving as the State's federally-designated guarantor for FFELP, which was created by Congress through the Higher Education Act of 1965.

Mandated Funding Level: None

Brief Description/History/Background: FFELP is a public-private partnership to deliver and administer guaranteed education loans for students and their parents. As the State's federally-designated guarantor for FFELP, HESC guarantees over \$3 billion to New York State students each year. When banks are unable to collect student loan repayments, HESC intervenes to avert default. If these default aversion efforts are unsuccessful, HESC purchases the defaulted loans from banks and steps are taken to bring defaulted loans into repayment. HESC also oversees lenders to ensure that they make a concerted effort to keep delinquent borrowers from defaulting and only provide loans to students who are eligible.

The U.S. Department of Education (ED) pays fees to HESC to: (1) approve federal student and parent loans, (2) provide the initial guarantee against default, (3) implement delinquent loan management initiatives to prevent default, and (4) collect on defaulted loans. The revenue HESC generates from participating in FFELP fully supports its operating costs and helps to support the Tuition Assistance Program.

Issues: In October 2007, Congress made substantial cuts to FFELP through the College Cost Reduction and Access Act, which significantly reduced lender margins and student loan profitability. To help ensure continued availability of federal student loans, the Ensuring Continued Access to Student Loans Act, which authorizes ED to purchase certain FFELP loans from lenders, was enacted in May 2008.

Population Served: In 2006-07, HESC guaranteed more than 655,100 new FFELP loans worth \$2.9 billion to students at over 500 postsecondary educational institutions.

Performance Measures:

- Trigger Rate: Defaulted loan dollars are measured as a percentage of prior year loan dollars in repayment. A percentage greater than 5% "triggers" a reduction in the reinsurance rate that ED pays to guaranty agencies for the reimbursement of claims. HESC's trigger rate for the 2005-06 Federal Fiscal Year was 1.47%.
- Collection Rate: The collection rate compares collections for a year to the guaranteed loan volume at the beginning of that year. HESC's collection rate ranking improved from 22nd out of the 35 guaranty agencies nationwide as of June 30, 2007 to 15th as of June 30, 2008.
- Level of Federal Reserves: Guaranty agencies are required to maintain a minimum reserve level of .25% in their Federal Student Loan Reserve Funds. HESC met the minimum reserve level in 2007-08 and will continue to do so in 2008-09 and beyond.

**Higher Education Services Corporation (HESC)
Program Information Sheet**

Program: Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)

Mandate: HESC is the state's lead agency for GEAR UP, which was established in the 1998 Amendments to the Higher Education Act of 1965, and has been awarded two consecutive six-year grants from the U.S. Department of Education (ED) covering the periods from 1999-00 to 2004-05 (\$30 million) and 2005-06 to 2010-11 (\$21 million).

Mandated Funding Level: Of the \$3.5 million that HESC currently receives from ED each year, it subgrants \$2.95 million to 11 subgrantees and 6 state partners and retains the remaining \$.55 million for its administrative expenses.

This grant requires a dollar-for-dollar match. HESC matches the funding it retains for administration and the subgrantees and state partners each match the funding they receive from HESC. While ED allowed HESC to use the Liberty Partnership Program as a match for the first six-year grant, it did not allow this for the second six-year grant, requiring HESC to use its own revenues to match the administrative funding.

Brief Description/History/Background: The mission of GEAR UP is to significantly increase the number of low-income, at-risk students who are prepared to enter and succeed in postsecondary education.

Issues: None.

Population Served: In 2007-08, New York's GEAR UP Program served 8,212 at-risk, low-income middle and high school students throughout New York State.

Performance Measures: ED requires GEAR UP grant recipients to submit Annual Performance Reports in which they provide current statistics on performance measures including:

- the academic performance of GEAR UP students,
- the level of educational expectations of GEAR UP students,
- GEAR UP student and family knowledge regarding postsecondary education preparation and financing, and
- the high school graduation and college-going rates of GEAR UP students.

**Higher Education Services Corporation (HESC)
Program Information Sheet**

Program: New York State College Choice Tuition Savings Program (also known as New York's 529 College Savings Program)

Mandate: Chapter 546 of the Laws of 1997 (Article 14-A of the Education Law) names HESC and the Office of the State Comptroller (OSC) as the co-administrators of New York's College Choice Tuition Savings Program.

Mandated Funding Level: None.

Brief Description/History/Background: New York's College Choice Tuition Savings Program offers flexible, tax-advantaged college savings opportunities to New York families at a low cost. Administrative responsibilities include ensuring that the managing vendors follow all applicable federal and state laws and regulations including IRS Code 529, overseeing the development and distribution of advertising materials and supplementing the vendors' outreach efforts. In addition, HESC is responsible for the disbursement of account funds to eligible educational institutions.

From its inception in September 1998 through the 2002-03 State Fiscal Year, HESC's and OSC's administrative expenses were paid from the General Fund. Since 2003-04 these expenses have been paid from the College Savings Special Revenue Account, funded by an annual payment from the managing vendors, as determined by a Management Agreement. The initial payment was \$710,000 in 2003-04. Subsequent annual payments are equal to the prior year payment inflated by the percent change in the Consumer Price Index, which has averaged +3.1% per year since 2003-04 and resulted in a 2007-08 payment of \$799,287.

Issues: None.

Population Served: New York families. As of August 1, 2008, program assets totaled over \$8.0 billion in more than 591,000 accounts.

Performance Measures: Performance measures center on the level and quality of services provided by the vendors to account holders and include timeliness and accuracy in:

- o establishing new accounts,
- o processing checks,
- o mailing enrollment kits, statements, confirmations, federal and state tax reports and financial and non-financial correspondence,
- o answering phone calls from customers, and
- o responding to service concerns.

June 2008 statistics show that all of the targets for these performance measures are being exceeded.