

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, the New York Higher Education Loan Program (NYHELPS) and other State and Federal aid programs.

ORGANIZATION AND STAFFING

The Corporation is governed by a 15-member Board of Trustees, ten of whom are appointed by the Governor. The ten gubernatorial appointees include a student representative from an independent institution, a representative of the general public, a college financial aid administrator, a chief executive officer of a degree-granting proprietary institution, two presidents of independent institutions, one chief executive officer of a non-degree proprietary school, two banking representatives and a student in full time attendance at a State University Community College. The remaining five ex-officio members include the Commissioner of Education, the Chancellors of the State University of New York (SUNY) and the City University of New York (CUNY) 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. Agency administrative operations are located in Albany.

BUDGET HIGHLIGHTS

The Executive Budget recommends **\$1.08 billion** All Funds (\$960 million General Fund; \$117 million Other Funds) in support of the Corporation. This is a net increase of **\$45.2 million (4.4 percent)** (a General Fund increase of \$116.4 million, or 13.8 percent, and an Other Funds decrease of \$71.2 million, or -37.8 percent) from 2010-11 funding levels. The budget reflects funding to continue the NYHELPS student loan program and increased General Fund spending for TAP resulting from increased enrollment and the discontinuation of Federal American Reinvestment and Recovery Act (ARRA) funding.

The Executive Budget includes the following actions:

- **Maintain Current Formulas for Allocating TAP Awards:** The Executive Budget essentially maintains current policies for TAP enacted in 2010-11 in order to reduce projected growth in the program. These policies include continuing the current maximum TAP award for student enrolled in certain two-year degree granting programs, requiring private pension and annuity income not subject to State taxes to be included determining TAP award eligibility, increasing the academic standards for continued TAP award eligibility and others. These measures represent gap closing actions of \$44 million in 2011-12.
- **Extend the McGee Nursing Faculty Scholarship Program and the Nursing Faculty Loan Forgiveness Program:** Statutory authorization for the McGee Nursing Faculty Scholarship program and the Nursing Faculty Loan Forgiveness Program expired June 30, 2010. The 2011-12 Executive Budget extends statutory

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authorization for these programs for a period of five years, and provides the funding necessary to pay for prior obligations to individuals who are fulfilling the service requirements associated with the programs. This measure is expected to cost \$3.8 million in 2011-12 and \$2.4 million annually thereafter.

- **Extend the Regents Licensed Social Worker Loan Forgiveness Program:** Statutory authorization for the Regents Licensed Social Worker Loan Forgiveness Program is set to expire June 30, 2011. The 2011-12 Executive Budget extends statutory authorization enabling this program to continue for a period of five years. This measure is already assumed in the State Financial Plan and has no net impact on planned spending.
- **Extend the Regents Physician Loan Forgiveness Program:** Statutory authorization for the Regents Physician Loan Forgiveness Program expired June 30, 2009. The 2011-12 Executive Budget extends authorization for this program through the 2015-16 school year, and provides necessary funding to pay prior year obligations for individuals who are fulfilling service requirements associated with the program. This measure is expected to cost \$3.9 million in 2011-12 and \$1.6 million annually thereafter.
- **Reduce Funding for NYHELPS:** The 2011-2012 Executive Budget reduces funding for NYHELPS by \$6.0 million.

PROGRAM HIGHLIGHTS

STATE OPERATIONS

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. The Corporation will continue to improve its operational efficiency in 2011-12 through increased reliance on technology and streamlined administrative practices. Colleges and lenders are now able to conduct all loan transactions on-line using the Corporation's "New York State Marketplace," an internet portal that facilitates choice, competition and transparency for all government and private student loan products by providing students and their families with access to a broad spectrum of lending and guarantee information.

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 reduce costs, improve services and increase responsiveness through shared development efforts.

The Corporation will also continue to coordinate the State's participation in the Federal GEAR-UP program in 2011-12, providing early college preparation and guidance services to low-income individuals.

NEW YORK HIGHER EDUCATION LOAN PROGRAM

The 2011-12 Executive Budget continues the NYHELPS student loan program, providing students and parents with access to low-cost loans that would otherwise not be available in the private loan market. The Program is a partnership between the State, private lenders and higher education institutions and makes student loans available with interest rates below those of conventional private bank offerings. Eligible students must be New York State residents attending degree-granting postsecondary education

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institutions in the State that are approved to participate in Federal HEA Title IV student aid programs. The Corporation finances and administers the program in tandem with the State of New York Mortgage Agency (SONYMA).

FEDERAL LOAN GUARANTEE PROGRAM

The traditional cornerstone of the Corporation's operations has been the administration of the Federal Family Education Loan program (FFEL). Effective July, 1, 2010, Congress eliminated the FFEL Program which will result in a shift of federally guaranteed student loans to the Federal Direct Loan Program. Although HESC will continue to service its existing portfolio of loans originated through FFEL (currently \$20 billion), this portfolio and its associated revenue stream will diminish over time as loans are repaid, rehabilitated, consolidated and sold or transferred back to the U.S. Department of Education. In response to this shift in federal policy, HESC is pursuing a partnership with the U.S. Department of Education whereby it would be designated as a servicer for the newly expanded Direct Loan Program. Under the proposed construct, HESC would use its existing resources and expertise in administering FFEL collections and financial literacy and apply it to the Direct Loan Program. If successful, declining revenues associated with administering FFEL loans will be offset with revenues earned from servicing loans through the expanding Federal Direct Loan Program. In addition to supporting HESC's general operating budget, these revenues also support what would otherwise be General Fund costs for administering the TAP program, as well as partially offset General Fund costs for TAP awards.

The Corporation also provides customer services for lenders, schools and students. This includes 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:

- \$3.4 billion in new guaranteed loans in 2009-10;
- Processing of student loans for more than 642,000 borrowers; and
- Defaulted loan collections of \$369 million and defaulted loan purchases of \$557 million in 2009-10.

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: New York leads the nation in funding for needs-based student financial aid, and \$893 million in General Fund support will be provided to both full- and part-time (TAP) recipients in all sectors of higher education, with an additional \$16 million from other funding sources in support of tuition assistance;
- Scholarships and Fellowships: \$48 million will be provided for various scholarships, fellowships, and loan forgiveness programs including the American Airlines Flight 587 Memorial Scholarships, the World Trade Center Memorial Scholarships, Senator Patricia K. McGee Nursing Faculty Scholarships/Nursing

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Faculty Loan Forgiveness Incentive Program and the Regents Licensed Social Worker Loan Forgiveness Program. More than 27,500 recipients are projected to receive aid under the sixteen State and Federal scholarship programs administered by the Corporation.

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 652,414 accounts have been opened, with contributions totaling approximately \$9.7 billion. New York's program has received national recognition as one of the top college savings plans in the nation.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2010-11	Appropriations Recommended 2011-12	Change	Reappropriations Recommended 2011-12
State Operations	120,047,000	104,930,000	(15,117,000)	20,000,000
Aid To Localities	911,566,000	971,893,000	60,327,000	0
Capital Projects	0	0	0	0
Total	<u>1,031,613,000</u>	<u>1,076,823,000</u>	<u>45,210,000</u>	<u>20,000,000</u>

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

Program	Full-Time Equivalent Positions (FTE)		
	2010-11 Estimated FTEs 03/31/11	2011-12 Estimated FTEs 03/31/12	FTE Change
	Administration		
Special Revenue Funds - Other	316	316	0
Guaranteed Loan Programs			
Special Revenue Funds - Other	200	200	0
Total	<u>516</u>	<u>516</u>	<u>0</u>

The above table does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

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

Fund Type	Available 2010-11	Recommended 2011-12	Change
General Fund	10,000,000	4,037,000	(5,963,000)
Special Revenue Funds - Federal	10,000,000	12,601,000	2,601,000
Special Revenue Funds - Other	100,047,000	88,292,000	(11,755,000)
Total	<u>120,047,000</u>	<u>104,930,000</u>	<u>(15,117,000)</u>

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

Program	Available 2010-11	Recommended 2011-12	Change
Administration			
Special Revenue Funds - Other	48,998,000	54,033,000	5,035,000
Guaranteed Loan Programs			
Special Revenue Funds - Federal	5,000,000	5,000,000	0
Special Revenue Funds - Other	45,799,000	34,259,000	(11,540,000)
State Grant Programs			
Special Revenue Funds - Federal	5,000,000	7,601,000	2,601,000
Education Loan Program, New York State			
General Fund	10,000,000	4,037,000	(5,963,000)
Special Revenue Funds - Other	5,000,000	0	(5,000,000)
Third Party Debt Collection Account			
Special Revenue Funds - Other	250,000	0	(250,000)
Total	<u>120,047,000</u>	<u>104,930,000</u>	<u>(15,117,000)</u>

STATE OPERATIONS - GENERAL FUND SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES 2011-12 RECOMMENDED (dollars)

Program	Total		Contractual Services	
	Amount	Change	Amount	Change
Education Loan Program, New York State	4,037,000	(5,963,000)	4,037,000	4,037,000
Total	<u>4,037,000</u>	<u>(5,963,000)</u>	<u>4,037,000</u>	<u>4,037,000</u>

Program	Maintenance Undistributed	
	Amount	Change
Education Loan Program, New York State	0	(10,000,000)
Total	<u>0</u>	<u>(10,000,000)</u>

STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2011-12 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	54,033,000	5,035,000	21,862,000	6,019,000
Guaranteed Loan Programs	39,259,000	(11,540,000)	11,465,000	(10,413,000)
State Grant Programs	7,601,000	2,601,000	836,000	836,000
Education Loan Program, New York State	0	(5,000,000)	0	0
Third Party Debt Collection Account	0	(250,000)	0	0
Total	<u>100,893,000</u>	<u>(9,154,000)</u>	<u>34,163,000</u>	<u>(3,558,000)</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	32,171,000	(984,000)	0	0
Guaranteed Loan Programs	27,794,000	3,873,000	0	(5,000,000)
State Grant Programs	6,765,000	6,765,000	0	(5,000,000)
Education Loan Program, New York State	0	0	0	(5,000,000)
Third Party Debt Collection Account	0	0	0	(250,000)
Total	<u>66,730,000</u>	<u>9,654,000</u>	<u>0</u>	<u>(15,250,000)</u>

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

<u>Fund Type</u>	<u>Available 2010-11</u>	<u>Recommended 2011-12</u>	<u>Change</u>
General Fund	833,566,000	955,893,000	122,327,000
Special Revenue Funds - Federal	55,800,000	0	(55,800,000)
Special Revenue Funds - Other	22,200,000	16,000,000	(6,200,000)
Total	<u>911,566,000</u>	<u>971,893,000</u>	<u>60,327,000</u>

Adjustments:

Prior Year Deficiency			
Higher Education Services Corporation, New York State			
General Fund	<u>25,159,000</u>		
Appropriated 2010-11	<u>936,725,000</u>		

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

<u>Program</u>	<u>Available 2010-11</u>	<u>Recommended 2011-12</u>	<u>Change</u>
State Grant Programs			
General Fund	789,505,000	907,726,000	118,221,000
Special Revenue Funds - Federal	55,800,000	0	(55,800,000)
Special Revenue Funds - Other	22,200,000	16,000,000	(6,200,000)
Scholarships and Fellowships			
General Fund	<u>44,061,000</u>	<u>48,167,000</u>	<u>4,106,000</u>
Total	<u>911,566,000</u>	<u>971,893,000</u>	<u>60,327,000</u>